Annual Report
2019

Year Ended March 31, 2019

Asahi Mutual Life Insurance Company

ASAHI LIFE

Contents

1. Message from the President

木村 博紀

Hiroki Kimura

President and Representative Director

Aiming to be a company that contributes to society and continues to be customers' trusted choice

Thank you for supporting Asahi Life.

Founded in 1888, Asahi Life operates according to the basic management philosophy of "Sincere Service," and we have thrived over the years due to the support of our customers. This year marks the 131st year since our founding. We are deeply grateful for all of your support over these many years.

Mid-term management plan:
"TRY NEXT - Realizing Growth and Shaping the Future" (FY 2018 - FY 2020)

Competition in the market is expected to intensify even further over the next decade and beyond, due in part to Japan's declining population.

With various social changes on the horizon, including the era of the 100-year lifespan, greater health awareness, and increasing populations of working women and singles, Asahi Life must recognize the potential for new insurance-related needs and work to further enhance our presence in the market by growing fields in which we ought to play a role, as a company focused on third-sector insurance such as nursing care insurance.

Our mid-term management plan "TRY NEXT," builds on this perspective. Beginning implementation last fiscal year, the mid-term management plan aims to achieve our vision: "Asahi Life: a company that contributes to society and continues to be customers' trusted choice, supporting each and every individual life." We pursue various strategies toward achieving this goal based on the following three major themes.

Theme 1: "Building upon Asahi Life's distinctiveness"
Theme 2: "Improving profitability"
Theme 3: "Shaping the future"

Solid progress was made towards the achievement of FY 2020 targets in FY 2018, with the "number of individual and corporate customers" and "policies in force for protection-type products (annualized premiums)"—both strategic targets in the mid-term management plan—growing steadily since the beginning of the year, while "new nursing care insurance policies" also reached over 100,000, or 104% on the previous year.

Exerting our market presence as "the go-to company for nursing care insurance"

In 2003, Asahi Life began full-scale implementation of initiatives for third-sector products such as medical and nursing care insurance, and since then we have developed a wide variety of insurance products.

We also work in the "TRY NEXT" mid-term management plan to exert our market presence as "the go-to company for nursing care insurance" and establish a decisive presence in the senior market by developing and providing advanced nursing care insurance products and services. In FY 2018, we launched the "Anshin Kaigo for those Requiring Support" product, an industry first nursing care insurance that covers "Support Level 2" in the public nursing care insurance system for less severe cases in which nursing care is required and to help ward off a worsening of patients' condition. This new product is sold alongside our conventional nursing care insurance. When offering these nursing care insurance products, we also propose an "Asahi's Anshin Kaigo Nursing Care Life Plan" that provides a "necessary level of coverage for nursing care" as appropriate for the customer's age, place of residence, and other factors.

An increasing number of people in the public nursing care insurance system are certified as needing nursing care, while 14.1%* of households have private nursing care insurance. As we recognize that we have a "social mission to promote the spread of private nursing care insurance," Asahi Life will continue to work to provide a variety of useful products and services in the future ahead.

*Source: Japan Institute of Life Insurance

More sophisticated asset management

We are working to make our asset management more sophisticated to secure stable investment income by appropriately adapting to changes in market environment.

Because domestic interest rates remained low in FY 2018, we curtailed investment in yen interest-bearing assets. At the same time, we aimed to diversify our revenue sources by expanding the range of asset classes in which we invest, purchasing foreign currency-denominated bonds as well as making alternative investments, while curbing risk through diversification and rigorous selection of investments.

Moreover, as a responsible institutional investor, we are promoting good stewardship and pursuing ESG (environment, social, governance) investment and lending through our April 1, 2019 signing of the Principles for Responsible Investment (PRI), and our March 2019 establishment of the Basic Policy on the ESG Investment and Lending based on the PRI.

Additionally, Asahi Life and our subsidiary Asahi Life Asset Management Co., Ltd. reached an agreement with French investment giant Natixis Investment Managers S.A. in March 2019 to pursue closer cooperation, thereby growing our respective businesses and creating new investment opportunities.

We will continue to make our asset management more sophisticated to appropriately adapt to changes in market environment and secure stable investment income by seeking to expand the range of asset classes in which we invest, to diversify sources of revenue and further strengthen our asset allocation functions.

Moreover, as a responsible institutional investor, we are promoting good stewardship and pursuing asset management that incorporates ESG.

Improvement of digital marketing and development of products and services that utilize ICT

We are pursuing R&D on products and services that utilize ICT as one initiative to build the future of Asahi Life. Specifically, we established a "social cooperation program" with the University of Tokyo and began research in April 2018 to analyze medical big data and build a predictive model for increased severity in lifestyle diseases such as diabetes.

We also established a partnership with DeSC Healthcare, Inc., a subsidiary of DeNA Co., Ltd., in March 2019 to jointly develop healthcare-type insurance products and health-promotion support services to improve customer health and lower disease rates.

In the future, we will continue to work to develop products and services that draw on the outcomes of these initiatives.

We also worked to improve the efficiency of our sales representatives through big data analysis drawing on data we have accumulated about our customers over the years.

We will be employing ICT and AI to research and develop new products and services, in addition to aiming to create new points of customer contact and improve customer convenience. We will also be employing online digital marketing to take our marketing strategy to the next level.

CSR initiatives

Based on our basic management philosophy of "Sincere Service," as well as our belief that our company's business operations themselves are the foundation for fulfilling our corporate social responsibilities (CSR), we work to engage in business that prioritizes the following:

- Engaging in business that prioritizes the improvement of customer satisfaction
- Co-existence with society through continued engagement to create a prosperous society, and;
- Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees.

Additionally, with the Sustainable Development Goals (SDGs) adopted by the United Nations as global goals for 2030, private companies as well as governments and municipalities are being called upon to work towards the achievement of the goals, both within Japan and around the world. At Asahi Life, we also plan to contribute to the achievement of the SDGs in our CSR initiatives.

FY 2019 marks the second year of "TRY NEXT," our mid-term management plan, and through the ongoing steady implementation of this plan, we "aim to be a company that contributes to society and continues to be customers' trusted choice."

In this mission, we humbly ask that you continue to lend us your incredible support and assistance.

Mid-term Management Plan
"TRY NEXT - Realizing Growth and Shaping the Future"

Since April 2018, Asahi Life has been advancing our mid-term management plan, "TRY NEXT - Realizing Growth and Shaping the Future" (FY 2018 - FY 2020). We are working to achieve our corporate vision in this plan by pursuing various strategies based on the following three major themes.

Corporate vision

Asahi Life: a company that contributes to society and continues to be customers' trusted choice,
supporting each and every individual life

Theme 1 Building upon Asahi Life's distinctiveness

Theme 2 Improving profitability

Theme 3 Shaping the future

Improving the quality of business operational systems
- Underlying work on the three major themes -

[Progress toward strategic targets]

		FY 2020 targets	Status at the end of FY 2018
Number of customers	Number of individual customers	2.58 million	2.536 million (Approx. +18,000 YoY)
	Number of corporate customers	43 thousand	42 thousand (Approx. +2,000 YoY)
Policies in force for protection-type products*1 (Annualized premiums)		¥347.0 billion	¥339.7 billion (+¥18.5 billion YoY)
	(Subset) Policies for individual customers*2	¥283.0 billion	¥274.0 billion (+¥0.7 billion YoY)
Nursing care insurance	New policies	98,000	Approx. 100,000 (104% YoY)

Notes:
1. Protection-type products are the total of death protection insurance and third-sector products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels.
2. In the strategic targets, "policies for individual customers" is the total of protection-type products sold by sales representatives to individual customers and protection-type products sold through the agency channels for individual customers.

3. Business Overview

Overview

Asahi Life was established in 1888 as the second modern life insurance company in Japan under the name Teikoku Life Insurance Company (Teikoku Seimei Hoken Kabushiki Gaisha). We became a mutual company and changed our name to Asahi Mutual Life Insurance Company (Asahi Seimei Hoken Sogo Gaisha) in 1947.

Our core business is life insurance for individuals in Japan, with a specific strategic focus on offering protection-type products, including medical and nursing care products.

We have been improving our financial soundness and aim to further improve it through the accumulation of surplus and recapitalization measures. As of March 31, 2019, we had non-consolidated solvency margin ratio of 861.1 percent, and insurer financial strength ratings of BBB- (Stable Outlook) from Fitch, BB+ (Positive Outlook) from R&I and BBB- (Stable Outlook) from JCR.

Products

Asahi Life offers a variety of individual life insurance products, with a focus on protection-type products including medical and nursing care products, aimed at serving its customers' financial needs. We continually review, update, and expand our product offerings to serve the needs of our customers while maintaining our focus on individual life insurance.

Our main products for individual customers are flexible life insurance products named "Hoken-ou Plus" targeting male customers, and "Yasashisa Plus" targeting female customers. Each product allows customers to mix and match from a portfolio of insurance products to create a customized insurance plan.

Sales Channel

To optimize access to its customers, Asahi Life operates a multi-channel sales structure utilizing its sales representative channel and independent agency channels to provide retail products to its customers.

Our sales representatives, who provide face-to-face customer service, comprise our most significant distribution channel. As of March 31, 2019, we employed a total of 11,667 sales representatives. As of April 1, 2019, we had 593 sales offices located throughout Japan.

Our sales representatives engage in customized consulting when a policy is signed in order to meet the diverse needs and lifestyles of customers, and they also provide regular after-sales service including the regular provision of information tailored to changes in the life-cycle of the customer. In order to contribute to society and continue to be chosen by customers as a trusted company, we work to cultivate high-quality sales representatives who not only have knowledge of life insurance products, but are also knowledgeable in various financial instruments, social insurance, tax, and other related matters.

Although we continuously strengthen our sales representative channel, we also have been diversifying our distribution channels by utilizing independent agencies, such as walk-in insurance shops, telemarketing, and tax accountants.

Business Performance (Annualized Premiums)

New Policies for Individual Insurance/Individual Annuities

Annualized premiums from new policies reached 129.3% of the previous fiscal year.
Of these, the third-sector products reached 81.0% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2017	2018	2019	Year-over-year
New policies	34.1	32.0	41.4	129.3%
Third-sector products	26.6	21.5	17.4	81.0%

Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities

Annualized premiums from surrendered and lapsed policies reached 103.5% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2017	2018	2019	Year-over-year
Surrendered and lapsed policies	20.8	21.2	22.0	103.5%
Surrender and lapse ratio	3.87%	3.97%	4.13%	+0.17points

Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force reached 101.5% of the end of the previous fiscal year.
Of these, the third-sector products reached 101.9% of the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2017	2018	2019	Year-over-year
Policies in force	535.9	532.4	540.5	101.5%
Third-sector products	197.8	206.3	210.2	101.9%

New Policies for Protection-type Products

Annualized premiums from new policies for protection-type products, a focus of Asahi Life, reached 130.7% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2017	2018	2019	Year-over-year
New policies	31.3	31.7	41.4	130.7%
Sales representative channel	27.3	27.2	36.6	134.3%
Independent agency channels for individual customers	4.0	4.4	4.8	109.1%

● Policies in Force for Protection-type Products

Annualized premiums from policies in force for protection-type products gained +¥18.5 billion on the end of the previous fiscal year, exhibiting an ongoing increasing trend.

(Billions of Yen)

As of March 31	2017	2018	2019	Year-over-year
Policies in force	311.2	321.2	339.7	+18.5
Sales representative channel	303.2	310.0	325.5	+15.4
Independent agency channels for individual customers	8.0	11.1	14.2	+3.1

Notes:
1. Surrendered and lapsed policies are measured as cancellation plus expiration and reduction less revival.
2. Protection-type products are the total of death protection insurance and third-sector products such as medical insurance, nursing care insurance, and non-participating group medical insurance sold through the agency channels.

Financial Performance

● Fundamental Profit

Due to factors such as increases in death benefit payments and initial costs (e.g. agency commissions) associated with the growth in new policies, fundamental profit dropped ¥5.8 billion relative to the previous fiscal year to ¥24.2 billion.

(Billions of Yen)

Years ended March 31	2017	2018	2019	Year-over-year
Fundamental profit	22.0	30.1	24.2	(5.8)
Underwriting gains	84.2	87.9	78.9	(8.9)
Negative spread amount	(62.1)	(57.7)	(54.6)	+3.1

● Ordinary Profit, Net Surplus

Ordinary profit was ¥24.6 billion, with a net surplus of ¥16.2 billion.

(Billions of Yen)

Years ended March 31	2017	2018	2019	Year-over-year
Ordinary profit	38.9	37.5	24.6	(12.9)
Net surplus	29.2	25.9	16.2	(9.7)

Financial Soundness

Solvency Margin Ratio

Solvency margin ratio increased 52.6 points relative to the end of the previous fiscal year, raising it to 861.1%.

As of March 31	2017	2018	2019	Year-over-year
Solvency margin ratio	742.7%	808.5%	861.1%	+52.6points

Adjusted Net Assets

Adjusted net assets reached ¥1,052.4 billion, an increase of ¥64.2 billion relative to the end of the previous fiscal year mainly due to an increase in net unrealized gains on securities.

(Billions of Yen)

As of March 31	2017	2018	2019	Year-over-year
Adjusted net assets	930.4	988.2	1,052.4	+64.2

Net Unrealized Gains/Losses on Securities (with fair value, general account)

(Billions of Yen)

As of March 31	2017	2018	2019	Year-over-year
Securities	464.7	451.0	508.9	+57.8
Domestic stocks	111.8	152.1	130.9	(21.2)
Domestic bonds	345.8	309.1	347.4	+38.2
Foreign securities	3.6	(12.3)	29.8	+42.2
Other securities	(0.3)	(1.0)	(2.5)	(1.4)

Capital Base

Foundation funds, which are the counterparts of paid-in capital for joint stock corporations, serve as the primary source of capital for Japanese mutual companies. Unlike paid-in capital, however, foundation funds have a stated maturity and accrue interest payment obligations. If the principal amount of the foundation funds is repaid by insurance companies out of their net assets, the Insurance Business Act requires that an amount equivalent to the repayment be set aside in the net assets portion of the balance sheet as reserve for redemption of foundation funds. As of March 31, 2019, the balance of foundation funds was ¥91.0 billion and the amount of reserve for redemption of foundation funds was ¥166.0 billion, respectively.

Additionally, we have also worked on strengthening our financial soundness by accumulating internal reserves and raising funds in the form of subordinated debt which, while accounted for as a liability, function largely like capital.

Results of Operations

Statements of Income

(Billions of Yen)

Years ended March 31	2018	2019	Year-over-year
Ordinary income:	652.2	638.4	97.9%
Premium and other income:	384.9	396.7	103.1%
Insurance premiums from individual insurance and individual annuities	364.9	376.1	103.1%
Investment income:	166.5	152.6	91.6%
Interest, dividends and other income	109.9	107.8	98.1%
Gains on sales of securities	46.7	34.6	74.1%
Other ordinary income:	100.6	89.0	88.4%
Reversal of policy reserves	83.2	73.5	88.4%
Ordinary expenses:	614.6	613.7	99.9%
Claims and other payments:	438.9	418.2	95.3%
Claims	124.8	121.5	97.4%
Annuities	129.8	128.4	98.9%
Benefits	82.2	71.7	87.2%
Investment expenses:	38.5	56.2	145.9%
Losses on sales of securities	2.2	12.5	547.8%
Losses on valuation of securities	0.1	0.6	433.2%
Operating expenses	102.3	105.8	103.4%
Other ordinary expenses	33.8	33.4	98.8%
Ordinary profit	37.5	24.6	65.6%
Extraordinary gains:	0.1	3.4	1,761.2%
Gains on disposal of fixed assets	0.1	3.4	1,761.2%
Extraordinary losses:	5.4	10.9	201.9%
Losses on disposal of fixed assets	1.5	7.0	461.5%
Impairment losses	1.7	1.2	69.5%
Provision for reserve for price fluctuation	2.1	2.1	102.3%
Surplus before income taxes	32.2	17.0	52.9%
Total income taxes	6.3	0.8	13.5%
Net surplus	25.9	16.2	62.4%

Ordinary income was ¥638.4 billion (97.9% of the previous fiscal year), of which ¥396.7 billion (103.1%) was premiums and other income. Investment income decreased to ¥152.6 billion (91.6%) primarily due to a drop in gains on sales of securities. Other ordinary income decreased to ¥89.0 billion (88.4%) mainly due to reversal of policy reserves reaching ¥73.5 billion (88.4%).

Ordinary expenses were ¥613.7 billion (99.9%), of which ¥418.2 billion (95.3%) was claims and other payments. Investment expenses increased to ¥56.2 billion (145.9%) primarily due to increased losses on sales of securities. Operating expenses were ¥105.8 billion (103.4%).

This results in an ordinary profit of ¥24.6 billion (65.6%).

Extraordinary gains were ¥3.4 billion (1,761.2%), and extraordinary losses were ¥10.9 billion (201.9%). Total income taxes reached ¥0.8 billion.

As a result of the above factors, net surplus was ¥16.2 billion (62.4%).

Assets, Liabilities and Net Assets

● Selected Assets Data

(Billions of Yen)

As of March 31	2018	2019	Year-over-year
Total assets:	5,396.5	5,356.3	(40.1)
Cash, deposits and call loans	195.6	176.1	(19.5)
Monetary claims bought	30.1	28.9	(1.1)
Securities:	4,188.8	4,257.4	+68.5
Domestic bonds	2,852.5	2,775.4	(77.1)
Domestic stocks	334.3	320.9	(13.3)
Foreign securities	926.8	1,089.6	+162.7
Loans	484.1	426.8	(57.3)
Tangible fixed assets	401.0	388.8	(12.1)
Deferred tax assets	16.1	10.4	(5.7)
Others	80.4	67.7	(12.7)

● Selected Liabilities/Net Assets Data

(Billions of Yen)

As of March 31	2018	2019	Year-over-year
Total liabilities:	5,008.4	4,977.5	(30.8)
Policy reserves and other reserves:	4,682.2	4,605.0	(77.1)
Policy reserves	4,616.9	4,543.3	(73.5)
Bonds payable	40.3	88.2	+47.9
Others	285.8	284.1	(1.6)
Total net assets:	388.0	378.8	(9.2)
Total foundation funds and others:	353.1	324.3	(28.8)
Foundation funds	126.0	91.0	(35.0)
Reserve for redemption of foundation funds	131.0	166.0	+35.0
Surplus:	95.9	67.0	(28.8)
Reserve for future losses	0.2	0.2	+0.0
Other surplus:	95.6	66.7	(28.8)
Reserve for fund redemption	48.6	26.2	(22.4)
Equalized reserve for dividends to policyholders	9.6	9.2	(0.4)
Unappropriated surplus (loss)	37.3	31.3	(6.0)
Total valuation and translation adjustments:	34.9	54.4	+19.5
Net unrealized gains (losses) on available-for-sale securities, net of tax	81.2	99.0	+17.7
Land revaluation differences	(46.3)	(44.5)	+1.8
Total liabilities and net assets	5,396.5	5,356.3	(40.1)

As of March 31, 2019, total assets were ¥5,356.3 billion, with securities accounting for ¥4,257.4 billion, loans at ¥426.8 billion, and tangible fixed assets at ¥388.8 billion. In securities, we partially reduced our balance of domestic bonds and increased our balance of relatively higher-yield foreign bonds.

Total liabilities were ¥4,977.5 billion, of which policy reserves accounted for ¥4,543.3 billion.

Total net assets were ¥378.8 billion, of which total foundation funds and others amounted to ¥324.3 billion, and total valuation and translation adjustments amounted to ¥54.4 billion.

Investments (General Account)

Investment Environment

During the fiscal year ended March 31, 2019, the Japanese economy continued its gradual recovery due to the Bank of Japan's ongoing monetary easing policies as well as solid growth in consumer spending, backed by improved employment and income conditions, and increases in capital expenditures.

Globally, the slowing pace of recovery in Europe and the slowdown in China caused by the U.S.-China trade conflict placed downward pressure on the world economy, but the steady performance of the U.S. economy resulted in gradual growth overall.

Investment Policy

Asahi Life structures its asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the liability characteristics of insurance policies. We are working to improve investment income in an environment of low domestic interest rates by investing in foreign currency-denominated bonds and alternative investments*, which have relatively higher yields, while still working to control foreign exchange risk and diversify investment currencies and regions.

Moreover, as a responsible institutional investor, we are promoting good stewardship and pursuing asset management that incorporates ESG.

* These are investment methods such as infra-funds, real estate investment trusts, or hedge funds, which are alternative investments to traditional investment assets such as stocks and bonds.

Overview of Investment Performance

In the fiscal year ended March 31, 2019, we limited allocations to yen interest-bearing assets while focusing funding on currency-hedged, foreign currency-denominated bonds, as well as on alternative investments.

For domestic bonds, we mainly purchased assets with yield spreads such as corporate bonds, while limiting the allocation to government bonds.

For loans, we attempted to limit our total amount of loans due to the low-interest rate environment.

For domestic stocks, we purchased a certain quantity of primarily high dividend yield stocks.

For foreign currency-denominated bonds, we worked to improve yields by building balances and flexibly controlling currency-hedged positions while diversifying currency from U.S. dollars to euros and Australian dollars.

Additionally, with the support of an overseas asset management partner, we invested some funds in alternative investments with the aim of expanding our investment opportunities and diversifying our sources of earnings.

We made an effort to improve real estate profitability by reviewing rent levels of rental real estate properties and improving operating rates.

Corporate Governance

Basic Philosophy on Corporate Governance

Recognizing that the life insurance industry plays an important role in supporting Japanese society in cooperation with the social security system, Asahi Life holds a basic management philosophy of "Sincere Service." This is guided by the idea that fulfilling our responsibilities to our customers, society, and our employees is fundamental to our business.

Based on our basic management philosophy, we work to maintain strong cooperation with all of our stakeholders and promote corporate social responsibility-based management centered on the following:

- Engaging in business that prioritizes the improvement of customer satisfaction
- Co-existence with society through continued engagement to create a prosperous society, and;
- Improvement of employee satisfaction through the creation of a comfortable workplace that fosters employees.

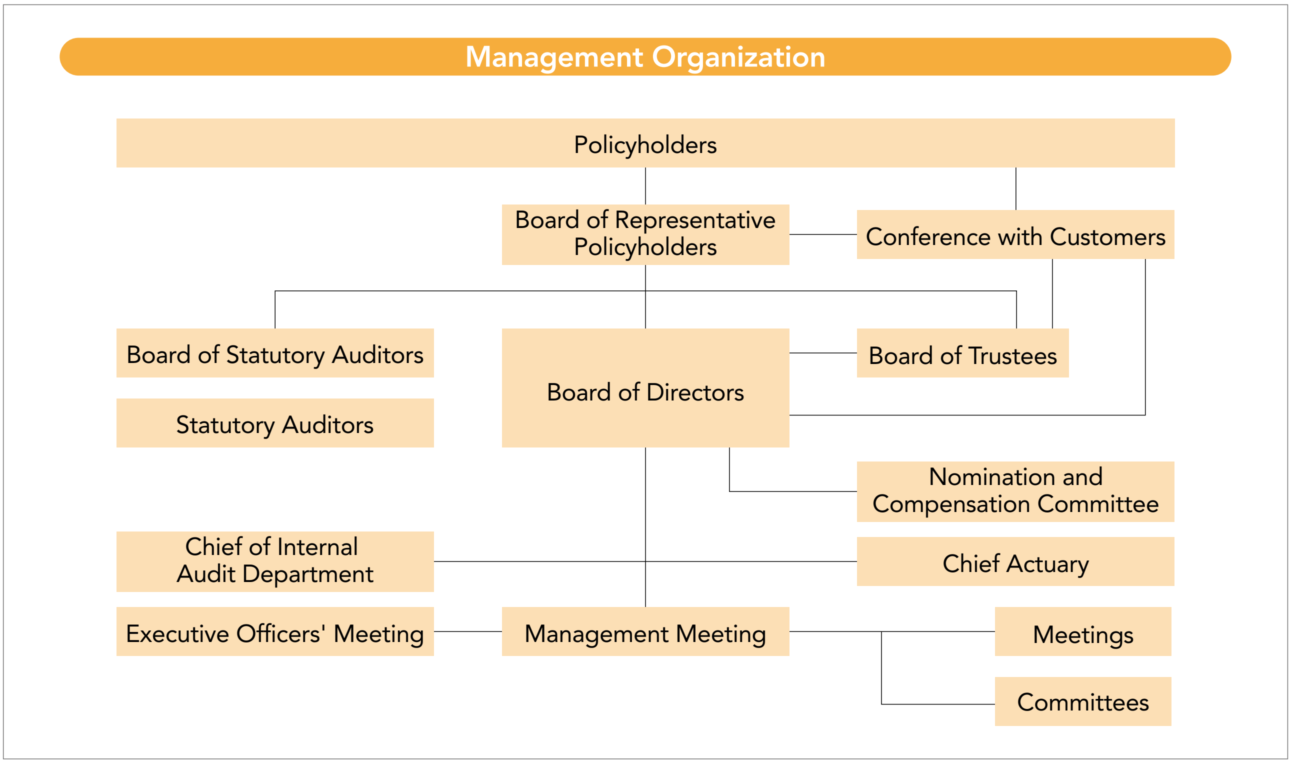
We are also making efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

In December 2015, we established and published our Basic Policy on Corporate Governance, which set forth our basic philosophy on corporate governance and the structure of our organization and operating policy, with the aim of making explicit the transparency and fairness of our corporate governance. In accordance with this Basic Policy, we are working to achieve practical corporate governance, sustained growth, and medium- to long-term improvement in corporate value.

Overview of the Corporate Governance Structure

Asahi Life is a mutual company. A mutual company is a corporate structure in which individual policyholders (excluding holders of non-participating policies) may directly participate in the management. Instead of holding a General Meeting of Policyholders, we have established a Board of Representative Policyholders. This serves as the highest decision-making body which consists of representatives elected from among our policyholders.

Additionally, in accordance with the institutional design required by the Insurance Business Act, we have opted to be a company with a Board of Statutory Auditors. The Board of Directors makes decisions on basic company management issues and supervises the execution of the duties of the directors. While the Statutory Auditors also supervise the execution of the duties of the directors, they do this as an independent body entrusted by the policyholders.



Board of Representative Policyholders

Framework and Functions of the Board of Representative Policyholders

Asahi Life has adopted a mutual company corporate structure that is only permitted for insurance companies in Japan. While a General Meeting of Policyholders serves as the highest decision-making body in mutual companies, we have established a Board of Representative Policyholders, in accordance to the Insurance Business Act, in place of holding a General Meeting of Policyholders. This board serves to represent our roughly 1.99 million policyholders.

The main issues reported and resolutions made in the Board of Representative Policyholders are as follows.

Reported issues:
Business reports, balance sheets, statements of income, statements of changes in net assets, operational reports specific to the mutual company structure

Resolutions:
Appropriation of surplus, allotment of dividends to policyholders, changes in articles of incorporation, appointment of nominating committee members for representative policyholders, appointment of trustees, appointment of directors/statutory auditors, etc.

Basic Policy on the Internal Control Structure

Asahi Life's Board of Directors has established the Basic Policy on the Internal Control Structure to ensure appropriate operations. We continuously strive to strengthen our compliance and risk management structures in accordance with this basic policy.

Promoting Compliance

Asahi Life positions compliance with laws and ordinances as one of the most critical issues of management, needed to conduct sound, transparent and fair business as well as to maintain the trust of our customers. We work to foster a corporate culture that both promotes and emphasizes compliance.

All employees devote themselves to legally compliant and appropriate business. We strive to prevent any illegal or inappropriate practices and will also endeavor to make quick and appropriate responses in the event that any illegal or inappropriate business practices are encountered.

Basic Policy/Compliance with Standards

Asahi Life has established the Basic Policy on Compliance and Compliance Standards as the primary guidelines to be observed by all employees. These are made widely and thoroughly known among all executives and employees through our Compliance Manual and rigorous training. All employees must conduct and are conducting business strictly in accordance with these policy and standards.

Furthermore, we have also created the Compliance Program which includes a detailed action plan. By implementing this action plan and making periodical reviews, we are attempting to establish a more advanced compliance framework.

Organization/System

Asahi Life holds discussions on compliance with the Compliance Committee. The Committee is composed of the Company President as chair, as well as Management Meeting members and third-party lawyers. The Committee discusses compliance issues with the expert input of the third-party lawyers. Additionally, a compliance control department implements specific measures pertaining to compliance.

Protecting Customer Information

Management System to Appropriately Protect Information Assets

Asahi Life maintains customers' personal information related to their policies and health status insofar that the information is needed for business purposes. Recognizing that keeping such customer information secure is a crucial management issue, we have established a framework to protect customer information, personal information, and personally identifiable information. We strictly implement that framework based on relevant laws and ordinances.

Furthermore, we have also formulated a Security Policy to provide appropriate protection for our customers' information. All employees perform appropriate and strict information management based on this policy to both fulfill our responsibility towards our policyholders and the society, and further improve the credibility of our company.

Risk Management Structure

Overview

The environment surrounding life insurance companies is constantly changing. Against such a backdrop, Asahi Life believes it is very important to accurately ascertain various risks and to manage them appropriately and strictly. Doing so helps to stabilize profits and boost financial health, which eventually leads to increased corporate value. In order to ensure the fulfillment of our long-term obligations with respect to our insurance policies, we value risk management as one of our most important management issues and are working to further improve and strengthen our risk management structure.

Risk Management Structure

Asahi Life's Board of Directors has established a Basic Policy on Risk Management. This is a company-wide policy that aims to implement appropriate risk management towards the achievement of our strategic targets.

Within this Basic Policy, we have identified the various types and locations of risks faced by a life insurance company, and with respect to each risk, set down certain risk management methods and management structures. Further, we have established management policies, regulations, and rules appropriate for the characteristics of each identified risk.

Each operational department in the company works to appropriately control risk in the operations under their jurisdiction as per the Basic Risk Management Policy, while each risk management department works to control risk appropriately through regular identification and reporting according to the risk-specific basic policy, rules, and regulations.

Furthermore, specific risks are not necessarily independent and may be linked to and affect one another, and for this reason we have established an overarching department responsible for comprehensive quantitative and qualitative risk management for the business as a whole.

The status of our risk management is reported to our Board of Directors and Management Meeting, upon which, management decisions are made.

Moreover, the appropriateness and effectiveness of our risk management structure are audited by our Internal Audit Department.

Risk Appetite

In order to promote the achievement of our strategic targets in the mid-term management plan and annual business plan, we set a certain risk appetite policy to ensure appropriate risk-taking and risk control based on both quantitative and qualitative risk evaluation. This policy sets both levels of tolerable risk for generating earnings and risks to be curbed in the interest of financial soundness.

Enterprise Risk Management (ERM)

Asahi Life promotes Enterprise Risk Management (ERM) in order to secure financial soundness and improve profitability through comprehensive management of risk facing the entire company.

Specifically, we establish risk management indicators based on a risk appetite policy, conduct quantitative and qualitative assessments to identify problems, and then implement countermeasures as appropriate for risk severity.

Additionally, we implement the Own Risk and Solvency Assessment (ORSA), a process to evaluate our management risks and own capital, and pursue risk management that is integrated with our business strategy.

With respect to qualitative risk evaluation, we ascertain our risk profile and specify crucial risks to management by identifying not only current but also potential risks which are discovered through our Control Self-Assessment (CSA), which we conduct in each operational division. We also strive to identify risks at an early stage and to reduce these risks through measures such as warning analysis.

With respect to quantitative risk evaluation, we evaluate the sufficiency of our own capital (surplus) based on both accounting standards and economic value. We then use this data to confirm the appropriateness of our asset/liability strategy and risk/return strategy. Specifically, for economic value-based evaluation, we monitor and manage the sufficiency of current surplus against overall risk volume (i.e. the Economic Solvency Ratio, ESR), and we work to improve that ratio by setting ESR targets.

Asset Liability Management (ALM)

Asahi Life engages in asset liability management (ALM) that is guided by the asset and risk management policies established by liability groups. These liability groups are categorized according to the characteristics of insurance policies. Based on the asset and risk management policies, we confirm the appropriateness of our investments. We structure our asset portfolio concentrating on yen interest-bearing assets such as domestic bonds and loans, taking into consideration the adaptation of existing assets to the liability characteristics of insurance policies. The majority of domestic bonds are classified as policy-reserve-matching bonds, which are valued at their amortized cost, with the aim of reducing the impact of interest rate fluctuation.

Officers (as of July 2, 2019)

Chairman of the Board
Yoshiki Sato

President and Representative Director
Hiroki Kimura

Representative Director and Senior Managing Executive Officer
Tatsuya Kikuchi

Director and Managing Executive Officer
Hiroshi Tatara

Director and Managing Executive Officer
Yasuhiro Iguchi

Director and Managing Executive Officer
Yukihiro Fujioka

Director and Executive Officer
Ryouichi Motoda

Director and Executive Officer
Kenichiro Ishijima

Director
Kazuko Ohya(1)

Director
Takashi Tsukamoto(1)

Director
Kenji Watanabe(1)

Standing Statutory Auditor
Hiroyuki Somekawa

Standing Statutory Auditor
Hideki Konishi

Statutory Auditor
Yukio Machida(2)

Statutory Auditor
Tadayuki Seki(2)

Statutory Auditor
Mitsuyoshi Shibata(2)

(1) Outside director
(2) Outside statutory auditor

Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2019**	**2018**	**2019**
ASSETS:			
Cash and deposits	¥ 40,630	¥ 36,143	$ 366
Call loans	140,000	164,000	1,261
Monetary claims bought	28,984	30,151	261
Securities	4,252,984	4,185,104	38,318
Loans	426,804	484,169	3,845
Tangible fixed assets:			
Land	226,451	230,913	2,040
Buildings	156,234	162,593	1,407
Lease assets	2,922	3,946	26
Construction in progress	516	1,134	4
Other tangible fixed assets	2,749	2,473	24
	388,875	401,061	3,503
Intangible fixed assets:			
Software	18,933	20,691	170
Other intangible fixed assets	5,903	13,044	53
	24,836	33,735	223
Agency accounts receivable	3	0	0
Reinsurance receivables	427	812	3
Other assets	42,947	46,632	386
Net defined benefit assets	292	351	2
Deferred tax assets	11,262	16,062	101
Customers' liabilities under acceptances and guarantees	6	10	0
Allowance for possible loan losses	(378)	(394)	(3)
Total assets	**¥ 5,357,677**	**¥ 5,397,841**	**$ 48,271**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 27,580	¥ 28,368	$ 248
Policy reserves	4,543,377	4,616,919	40,935
Reserve for dividends to policyholders	34,104	36,959	307
	4,605,062	4,682,246	41,490
Reinsurance payables	397	311	3
Bonds payable	88,295	40,349	795
Other liabilities	192,779	194,908	1,736
Net defined benefit liabilities	36,480	35,056	328
Reserve for price fluctuation	40,890	38,710	368
Deferred tax liabilities for land revaluation	17,116	17,762	154
Acceptances and guarantees	6	10	0
Total liabilities	**4,981,027**	**5,009,355**	**44,878**
NET ASSETS:			
Foundation funds	91,000	126,000	819
Reserve for redemption of foundation funds	166,000	131,000	1,495
Reserve for revaluation	281	281	2
Consolidated surplus	66,801	95,832	601
Total foundation funds and others	324,083	353,114	2,919
Net unrealized gains (losses) on available-for-sale securities, net of tax	99,034	81,293	892
Land revaluation differences	(44,561)	(46,380)	(401)
Accumulated remeasurements of defined benefit plans	(1,990)	377	(17)
Total accumulated other comprehensive income	52,482	35,290	472
Non-controlling interests	83	81	0
Total net assets	**376,650**	**388,486**	**3,393**
Total liabilities and net assets	**¥ 5,357,677**	**¥ 5,397,841**	**$ 48,271**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

[Consolidated Statements of Income]

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Ordinary income:			
Premium and other income	¥ 396,726	¥ 384,953	$ 3,574
Investment income:			
Interest, dividends and other income	107,335	109,723	967
Gains on sales of securities	34,648	46,779	312
Foreign exchange gains	2,257	–	20
Reversal of allowance for possible loan losses	11	74	0
Other investment income	7,452	7,355	67
Investment gains on separate accounts	340	2,384	3
	152,045	166,318	1,369
Other ordinary income	93,865	105,698	845
Total ordinary income	**642,637**	**656,971**	**5,790**
Ordinary expenses:			
Claims and other payments:			
Claims	121,536	124,809	1,095
Annuities	128,425	129,879	1,157
Benefits	71,701	82,264	646
Surrender benefits	90,757	95,710	817
Other payments	5,823	6,302	52
	418,245	438,966	3,768
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	–	1,003	–
Provision for interest on policyholders' dividend reserves	3	4	0
	3	1,008	0
Investment expenses:			
Interest expenses	4,700	4,449	42
Losses on sales of securities	12,521	2,285	112
Losses on valuation of securities	628	145	5
Losses on derivative financial instruments	22,923	13,891	206
Foreign exchange losses	–	2,530	–
Write-offs of loans	0	1	0
Depreciation of rental real estate and other assets	5,361	5,596	48
Other investment expenses	10,104	9,641	91
	56,239	38,542	506
Operating expenses	110,327	106,653	994
Other ordinary expenses	33,288	33,712	299
Total ordinary expenses	**618,104**	**618,883**	**5,569**
Ordinary profit	**24,532**	**38,088**	**221**
Extraordinary gains:			
Gains on disposal of fixed assets	3,433	194	30
	3,433	194	30
Extraordinary losses:			
Losses on disposal of fixed assets	7,098	1,538	63
Impairment losses	1,235	1,778	11
Provision for reserve for price fluctuation	2,180	2,130	19
Losses on reduction entry of real estate	241	–	2
Other extraordinary losses	239	–	2
	10,995	5,446	99
Surplus before income taxes	**16,970**	**32,836**	**152**
Income taxes:			
Current	3,160	6,946	28
Deferred	(2,250)	(318)	(20)
Total income taxes	**910**	**6,628**	**8**
Net surplus	**16,060**	**26,207**	**144**
Net surplus attributable to non-controlling interests	**41**	**39**	**0**
Net surplus attributable to the Parent Company	**¥ 16,018**	**¥ 26,168**	**$ 144**

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Net surplus	**¥ 16,060**	**¥ 26,207**	**$ 144**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	17,740	10,188	159
Remeasurements of defined benefit plans	(2,367)	735	(21)
Total other comprehensive income	**15,372**	**10,924**	**138**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	31,391	37,092	282
Comprehensive income attributable to non-controlling interests	41	39	0
Total comprehensive income	**¥ 31,432**	**¥ 37,132**	**$ 283**

Consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

Millions of Yen

For the year ended March 31, 2019	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥ 126,000**	**¥ 131,000**	**¥ 281**	**¥ 95,832**	**¥ 353,114**
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,963)	(1,963)
Additions to reserve for redemption of foundation funds		35,000		(35,000)	
Payment of interest on foundation funds				(6,266)	(6,266)
Net surplus attributable to the Parent Company				16,018	16,018
Redemption of foundation funds	(35,000)				(35,000)
Reversal of land revaluation differences				(1,819)	(1,819)
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**(35,000)**	**35,000**	**–**	**(29,030)**	**(29,030)**
Ending balance	**¥ 91,000**	**¥ 166,000**	**¥ 281**	**¥ 66,801**	**¥ 324,083**

Millions of Yen

For the year ended March 31, 2019	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	**¥ 81,293**	**¥ (46,380)**	**¥ 377**	**¥ 35,290**	**¥ 81**	**¥ 388,486**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,963)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(6,266)
Net surplus attributable to the Parent Company						16,018
Redemption of foundation funds						(35,000)
Reversal of land revaluation differences						(1,819)
Net changes, excluding foundation funds and others	17,740	1,819	(2,367)	17,192	2	17,194
Net changes in the fiscal year	**17,740**	**1,819**	**(2,367)**	**17,192**	**2**	**(11,835)**
Ending balance	**¥ 99,034**	**¥ (44,561)**	**¥ (1,990)**	**¥ 52,482**	**¥ 83**	**¥ 376,650**

Millions of Yen

For the year ended March 31, 2018	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	**¥ 126,000**	**¥ 131,000**	**¥ 281**	**¥ 76,065**	**¥ 333,347**
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,519)	(1,519)
Payment of interest on foundation funds				(5,499)	(5,499)
Net surplus attributable to the Parent Company				26,168	26,168
Reversal of land revaluation differences				617	617
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**–**	**–**	**–**	**19,766**	**19,766**
Ending balance	**¥ 126,000**	**¥ 131,000**	**¥ 281**	**¥ 95,832**	**¥ 353,114**

Millions of Yen

For the year ended March 31, 2018	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	**¥ 71,105**	**¥ (45,762)**	**¥ (358)**	**¥ 24,983**	**¥ 73**	**¥ 358,404**
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,519)
Payment of interest on foundation funds						(5,499)
Net surplus attributable to the Parent Company						26,168
Reversal of land revaluation differences						617
Net changes, excluding foundation funds and others	10,188	(617)	735	10,306	7	10,314
Net changes in the fiscal year	**10,188**	**(617)**	**735**	**10,306**	**7**	**30,081**
Ending balance	**¥ 81,293**	**¥ (46,380)**	**¥ 377**	**¥ 35,290**	**¥ 81**	**¥ 388,486**

Millions of U.S. Dollars

For the year ended March 31, 2019	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	$ 1,135	$ 1,180	$ 2	$ 863	$ 3,181
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(17)	(17)
Additions to reserve for redemption of foundation funds		315		(315)	
Payment of interest on foundation funds				(56)	(56)
Net surplus attributable to the Parent Company				144	144
Redemption of foundation funds	(315)				(315)
Reversal of land revaluation differences				(16)	(16)
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	**(315)**	**315**	**–**	**(261)**	**(261)**
Ending balance	**$ 819**	**$ 1,495**	**$ 2**	**$ 601**	**$ 2,919**

Millions of U.S. Dollars

For the year ended March 31, 2019	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	$ 732	$ (417)	$ 3	$ 317	$ 0	$ 3,500
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(17)
Additions to reserve for redemption of foundation funds						
Payment of interest on foundation funds						(56)
Net surplus attributable to the Parent Company						144
Redemption of foundation funds						(315)
Reversal of land revaluation differences						(16)
Net changes, excluding foundation funds and others	159	16	(21)	154	0	154
Net changes in the fiscal year	**159**	**16**	**(21)**	**154**	**0**	**(106)**
Ending balance	**$ 892**	**$ (401)**	**$ (17)**	**$ 472**	**$ 0**	**$ 3,393**

Consolidated Statements of Cash Flows

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
I. Cash flows from operating activities			
Surplus before income taxes	¥ 16,970	¥ 32,836	$ 152
Depreciation of rental real estate and other assets	5,361	5,596	48
Depreciation	11,263	10,133	101
Impairment losses	1,235	1,778	11
Increase (decrease) in reserve for outstanding claims	(788)	1,003	(7)
Increase (decrease) in policy reserves	(73,541)	(83,226)	(662)
Provision for interest on policyholders' dividend reserves	3	4	0
Increase (decrease) in allowance for possible loan losses	(11)	(74)	(0)
Increase (decrease) in net defined benefit liabilities	(1,725)	(1,942)	(15)
Increase (decrease) in reserve for price fluctuation	2,180	2,130	19
Interest, dividends and other income	(107,335)	(109,723)	(967)
(Gains) losses on securities	(21,839)	(46,733)	(196)
(Gains) losses on derivative financial instruments	22,923	13,891	206
Interest expenses	4,700	4,449	42
Foreign exchange (gains) losses, net	(2,257)	2,530	(20)
(Gains) losses on tangible fixed assets	(957)	970	(8)
(Increase) decrease in reinsurance receivables	384	(617)	3
(Increase) decrease in other assets except from investing and financing activities	(2,271)	(903)	(20)
Increase (decrease) in reinsurance payables	85	184	0
Increase (decrease) in other liabilities except from investing and financing activities	(910)	1,612	(8)
Others, net	1,917	6,606	17
Subtotal	(144,612)	(159,491)	(1,302)
Interest, dividends and other income received	110,216	113,182	993
Interest paid	(5,309)	(4,446)	(47)
Dividends to policyholders paid	(4,821)	(5,426)	(43)
Income taxes (paid) refunded	(7,830)	(4,827)	(70)
Net cash provided by (used in) operating activities	**(52,357)**	**(61,010)**	**(471)**
II. Cash flows from investing activities			
Purchases of monetary claims bought	(1,170)	(500)	(10)
Proceeds from sales and redemptions of monetary claims bought	2,354	3,544	21
Purchases of securities	(628,864)	(643,165)	(5,665)
Proceeds from sales and redemptions of securities	624,046	632,895	5,622
Disbursements for loans	(40,838)	(52,331)	(367)
Proceeds from collections of loans	98,573	120,479	888
Proceeds from derivative financial instruments	(23,572)	17,673	(212)
Increase (decrease) in payables under securities borrowing transactions	43,649	44,967	393
①Total of investing activities	74,177	123,564	668
[I + ①]	21,820	62,554	196
Purchases of tangible fixed assets	(7,404)	(6,603)	(66)
Proceeds from sales of tangible fixed assets	9,597	1,782	86
Others, net	(3,224)	(8,611)	(29)
Net cash provided by (used in) investing activities	**73,145**	**110,132**	**659**
III. Cash flows from financing activities			
Redemption of debt borrowing	(46,000)	–	(414)
Proceeds from issuance of bonds	47,946	–	431
Redemption of foundation funds	(35,000)	–	(315)
Payment of interest on foundation funds	(6,134)	(5,499)	(55)
Dividends paid to non-controlling interests	(39)	(31)	(0)
Others, net	(1,074)	(958)	(9)
Net cash provided by (used in) financing activities	**(40,301)**	**(6,490)**	**(363)**
IV. Net increase (decrease) in cash and cash equivalents	**(19,512)**	**42,631**	**(175)**
V. Cash and cash equivalents at the beginning of the year	**200,143**	**157,511**	**1,803**
VI. Cash and cash equivalents at the end of the year	**¥ 180,630**	**¥ 200,143**	**$ 1,627**

Notes to Consolidated Financial Statements

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

I. Presentation of Consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥110.99 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2019.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rates.

3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2019 and 2018 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Nvest Investment Advisory Co., Ltd.

The major unconsolidated subsidiary is Asahi Real Estate Management Co., Ltd.

Each non-consolidated subsidiary is small in scale in terms of total assets, amount of sales, net income and surplus for the fiscal year ended March 31, 2019. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

Unconsolidated subsidiaries 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) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to Consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in unconsolidated subsidiaries and affiliates not accounted for under the equity method are stated at cost.

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

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

■ Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

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

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2019 and 2018 were ¥47 million (US$0 million) and ¥60 million, respectively.

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

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

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

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

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Financial Instruments

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

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

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

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

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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2019 and 2018 were as follows:

Millions of Yen

As of March 31	2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 40,630	¥ 40,630	¥ –
Call loans	140,000	140,000	–
Monetary claims bought	28,984	32,137	3,153
Trading securities	–	–	–
Held-to-maturity debt securities	28,339	31,492	3,153
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	645	645	–
Securities	4,226,995	4,604,074	377,079
Trading securities	25,410	25,410	–
Held-to-maturity debt securities	316,473	360,188	43,714
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364
Available-for-sale securities	1,810,626	1,810,626	–
Loans	426,804	436,600	9,795
Policy loans	44,272	44,272	–
Industrial and consumer loans	382,531	392,327	9,795
Total assets	4,863,414	5,253,442	390,028
Bonds payable	88,295	89,200	905
Loans payable	51,000	50,855	(144)
Total liabilities	139,295	140,055	760
Derivative financial instruments	766	766	–
Hedge accounting not applied	221	221	–
Hedge accounting applied	544	544	–

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

Millions of Yen

As of March 31	2018		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 36,143	¥ 36,143	¥ –
Call loans	164,000	164,000	–
Monetary claims bought	30,151	33,335	3,184
Trading securities	–	–	–
Held-to-maturity debt securities	30,151	33,335	3,184
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,113,581	4,457,878	344,297
Trading securities	27,816	27,816	–
Held-to-maturity debt securities	324,314	365,006	40,692
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605
Available-for-sale securities	1,667,198	1,667,198	–
Loans	484,169	494,561	10,391
Policy loans	49,637	49,637	–
Industrial and consumer loans	434,532	444,924	10,391
Total assets	4,828,046	5,185,919	357,873
Bonds payable	40,349	43,585	3,236
Loans payable	97,000	96,768	(231)
Total liabilities	137,349	140,354	3,005
Derivative financial instruments	9,980	9,980	–
Hedge accounting not applied	1,811	1,811	–
Hedge accounting applied	8,169	8,169	–

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

Millions of U.S. Dollars

As of March 31	2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 366	$ 366	$ –
Call loans	1,261	1,261	–
Monetary claims bought	261	289	28
Trading securities	–	–	–
Held-to-maturity debt securities	255	283	28
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	5	5	–
Securities	38,084	41,481	3,397
Trading securities	228	228	–
Held-to-maturity debt securities	2,851	3,245	393
Policy-reserve-matching bonds	18,690	21,694	3,003
Available-for-sale securities	16,313	16,313	–
Loans	3,845	3,933	88
Policy loans	398	398	–
Industrial and consumer loans	3,446	3,534	88
Total assets	43,818	47,332	3,514
Bonds payable	795	803	8
Loans payable	459	458	(1)
Total liabilities	1,255	1,261	6
Derivative financial instruments	6	6	–
Hedge accounting not applied	1	1	–
Hedge accounting applied	4	4	–

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

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

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

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

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

The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the consolidated balance sheets were ¥25,989 million (US$234 million) and ¥71,523 million as of March 31, 2019 and 2018, respectively.

(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 values of bonds payable are based on the market values, etc. as of March 31, 2019 and 2018, respectively.

(4) Derivative financial instruments

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

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

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

3. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥250,349 million (US$2,255 million) and ¥273,135 million (US$2,460 million) as of March 31, 2019 and ¥267,163 million and ¥264,669 million as of March 31, 2018, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

4. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥157,185 million (US$1,416 million) and ¥121,177 million as of March 31, 2019 and 2018, respectively.

5. Loans

The total amounts of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, were ¥757 million (US$6 million) and ¥906 million as of March 31, 2019 and 2018, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥0 million as of March 31, 2019 and 2018, respectively.

ii) Delinquent loans were ¥619 million (US$5 million) and ¥748 million as of March 31, 2019 and 2018, respectively.

iii) Delinquent loans three or more months past due were ¥110 million (US$0 million) and ¥120 million as of March 31, 2019 and 2018, respectively.

iv) Restructured loans were ¥27 million (US$0 million) and ¥36 million as of March 31, 2019 and 2018, respectively.

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 amounts of loans to bankrupt borrowers described above by ¥3 million (US$0 million) and ¥13 million as of March 31, 2019 and 2018, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥43 million (US$0 million) and ¥46 million as of March 31, 2019 and 2018, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥278,017 million (US$2,504 million) and ¥279,695 million as of March 31, 2019 and 2018, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥27,560 million (US$248 million) and ¥29,382 million as of March 31, 2019 and 2018, respectively. The amounts of separate account liabilities were the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2019 and 2018, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥15 million as of March 31, 2019 and 2018, respectively.

9. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 36,959	¥ 40,861	$ 332
Transfer to reserve from surplus in the previous fiscal year	1,963	1,519	17
Dividends to policyholders paid out during the fiscal year	4,821	5,426	43
Increase in interest	53	58	0
Decrease in others	49	53	0
Balance at the end of the fiscal year	¥ 34,104	¥ 36,959	$ 307

10. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2019 and 2018 were ¥2,160 million (US$19 million) and ¥574 million, respectively.

11. Pledged Assets

Assets pledged as collateral as of March 31, 2019 and 2018 were securities in the amount of ¥16,506 million (US$148 million) and ¥4,325 million, respectively.

12. Redemption of Foundation Funds

Accompanying the redemption of foundation funds totaling ¥35,000 million (US$315 million), in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds for the fiscal year ended March 31, 2019.

13. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or pledged as collateral as of March 31, 2019 and 2018 were ¥69,344 million (US$624 million) and ¥73,317 million, respectively. No assets were pledged as collateral as of March 31, 2019 and 2018.

14. Commitment Line

As of March 31, 2019 and 2018, there were unused commitment line agreements under which the Company is the lender of ¥3,922 million (US$35 million) and ¥4,101 million, respectively.

15. Subordinated Bonds Payable

As of March 31, 2019 and 2018, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of March 31, 2019 and 2018, other liabilities included subordinated loans payable of ¥51,000 million (US$459 million) and ¥97,000 million, respectively, for which the repayments are subordinated to other obligations.

17. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2019 and 2018 were ¥8,899 million (US$80 million) and ¥9,750 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

18. Deferred Taxes

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2019	2018	2019
Deferred tax assets	¥ 63,691	¥ 61,321	$ 573
Valuation allowance for deferred tax assets	20,310	21,494	182
Subtotal	43,380	39,827	390
Deferred tax liabilities	32,117	23,765	289
Net deferred tax assets (liabilities)	¥ 11,262	¥ 16,062	$ 101

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

Millions of Yen

As of March 31		2019
Deferred tax assets		
Contingency reserve	¥	14,279
Reserve for price fluctuation		11,408
Net defined benefit liabilities		10,178
Impairment losses		7,968
Losses on valuation of securities		7,532
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities		30,834

Millions of Yen

As of March 31		2018
Deferred tax assets		
Contingency reserve	¥	14,140
Reserve for price fluctuation		10,800
Net defined benefit liabilities		9,780
Impairment losses		8,526
Losses on valuation of securities		5,546
Net unrealized losses on available-for-sale securities		3,988
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities		22,605

Millions of U.S. Dollars

As of March 31		2019
Deferred tax assets		
Contingency reserve	$	128
Reserve for price fluctuation		102
Net defined benefit liabilities		91
Impairment losses		71
Losses on valuation of securities		67
Deferred tax liabilities		
Net unrealized gains on available-for-sale securities		277

(2) The statutory tax rates were 27.9% and 28.1% for the fiscal years ended March 31, 2019 and 2018, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

For the years ended March 31	2019	2018
Change of valuation allowance for deferred tax assets	(8.9)%	(3.7)%
Interest on foundation funds	(8.5)%	(4.7)%
Reserve for dividends to policyholders	(3.1)%	(1.5)%

19. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Retirement benefit obligations at the beginning of the fiscal year	¥ 45,743	¥ 46,769	$ 412
Service cost	1,932	2,029	17
Interest cost	458	468	4
Actuarial difference occurred during the fiscal year	813	1,473	7
Retirement benefit payments	(4,653)	(4,998)	(41)
Retirement benefit obligations at the end of the fiscal year	¥ 44,293	¥ 45,743	$ 399

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Pension plan assets at the beginning of the fiscal year	¥ 11,038	¥ 9,024	$ 99
Expected return on pension plan assets	68	70	0
Actuarial difference occurred during the fiscal year	(3,015)	1,944	(27)
Contributions by the employer	207	203	1
Retirement benefit payments	(192)	(204)	(1)
Pension plan assets at the end of the fiscal year	¥ 8,106	¥ 11,038	$ 73

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2019	2018	2019
a. Funded plan retirement benefit obligation	¥ 44,293	¥ 45,743	$ 399
b. Pension plan assets	(8,106)	(11,038)	(73)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	36,187	34,704	326
d. Net defined benefit liabilities	36,480	35,056	328
e. Net defined benefit assets	(292)	(351)	(2)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 36,187	¥ 34,704	$ 326

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Service cost	¥ 1,932	¥ 2,029	$ 17
Interest cost	458	468	4
Expected return on pension plan assets	(68)	(70)	(0)
Amortization of actuarial differences	532	545	4
Amortization of prior service cost	6	6	0
Retirement benefit expenses related to defined benefit plan	¥ 2,861	¥ 2,979	$ 25

v) Breakdown of items included in other comprehensive income

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

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Amortization of actuarial differences	¥ (3,296)	¥ 1,015	$ (29)
Amortization of prior service cost	6	6	0
Total	¥ (3,289)	¥ 1,022	$ (29)

vi) Breakdown of items included in accumulated other comprehensive income

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

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Unrecognized actuarial differences	¥ 2,761	¥ (534)	$ 24
Unrecognized prior service cost	6	13	0
Total	¥ 2,768	¥ (521)	$ 24

vii) Breakdown of main pension plan assets

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

As of March 31	2019	2018
Stocks	44%	60%
Bonds	14%	9%
Others	42%	31%
Total	100%	100%

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

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

ix) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

As of March 31	2019	2018
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.5%	0.7%
Defined benefit corporate pension plans	1.5%	1.7%

III. Notes to Consolidated Statements of Income

1. Investment Income and Expenses

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Domestic bonds	¥ 32,424	¥ 44,891	$ 292
Domestic stocks and other securities	1,685	1,709	15
Foreign securities	538	178	4

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Domestic bonds	¥ 2,224	¥ 549	$ 20
Domestic stocks and other securities	800	487	7
Foreign securities	9,495	1,249	85

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Domestic stocks and other securities	¥ 628	¥ 49	$ 5
Foreign securities	–	96	–

Losses on derivative financial instruments included net valuation losses of ¥1,091 million (US$9 million) and losses of ¥76 million for the fiscal years ended March 31, 2019 and 2018, respectively.

2. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2019 and 2018, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent and unused real estate to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Real estate for rent:			
Land	¥ 0	¥ 518	$ 0
Building	0	699	0
Others	0	–	0
Total real estate for rent (i)	0	1,217	0
Unused real estate:			
Land	918	369	8
Building	264	191	2
Others	52	–	0
Total unused real estate (ii)	1,235	560	11
Total:			
Land	918	888	8
Building	264	890	2
Others	52	–	0
Total (i)+(ii)	¥ 1,235	¥ 1,778	$ 11

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.5% and 3.6% for the fiscal years ended March 31, 2019 and 2018, respectively. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

IV. Notes to Consolidated Statements of Comprehensive Income

Other Comprehensive Income

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ 15,426	¥ 18,028	$ 138
Reclassification adjustments	9,643	(1,251)	86
Before tax adjustment	25,070	16,776	225
Tax effects	(7,329)	(6,587)	(66)
Net unrealized gains on available-for-sale securities, net of tax	17,740	10,188	159
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	(3,828)	470	(34)
Reclassification adjustments	539	552	4
Before tax adjustment	(3,289)	1,022	(29)
Tax effects	921	(286)	8
Accumulated remeasurements of defined benefit plans	(2,367)	735	(21)
Total other comprehensive income	¥ 15,372	¥ 10,924	$ 138

V. Notes to Consolidated Statements of Cash Flows

Scope of Cash and Cash Equivalents

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

Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

As of March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
ASSETS:			
Cash and deposits:			
Cash	¥ 219	¥ 242	$ 1
Deposits	35,882	31,392	323
	36,102	31,635	325
Call loans	140,000	164,000	1,261
Monetary claims bought	28,984	30,151	261
Securities:			
National government bonds	1,790,446	1,866,902	16,131
Local government bonds	49,768	48,785	448
Corporate bonds	935,197	936,856	8,425
Domestic stocks	320,964	334,335	2,891
Foreign securities	1,089,669	926,893	9,817
Other securities	71,411	75,096	643
	4,257,457	4,188,869	38,358
Loans:			
Policy loans	44,272	49,637	398
Industrial and consumer loans	382,531	434,532	3,446
	426,804	484,169	3,845
Tangible fixed assets:			
Land	226,451	230,913	2,040
Buildings	156,225	162,583	1,407
Lease assets	2,922	3,946	26
Construction in progress	516	1,134	4
Other tangible fixed assets	2,703	2,432	24
	388,821	401,011	3,503
Intangible fixed assets:			
Software	19,599	21,295	176
Other intangible fixed assets	5,976	13,059	53
	25,576	34,355	230
Agency accounts receivable	3	0	0
Reinsurance receivables	427	812	3
Other assets:			
Accounts receivable	6,750	4,029	60
Prepaid expenses	3,439	3,418	30
Accrued income	19,277	17,198	173
Money on deposit	3,998	3,408	36
Derivative financial instruments	3,080	12,525	27
Cash collateral paid for financial instruments	3,677	3,748	33
Suspense payments	241	238	2
Other assets	1,525	1,061	13
	41,991	45,629	378
Prepaid pension cost	145	70	1
Deferred tax assets	10,413	16,187	93
Customers' liabilities under acceptances and guarantees	6	10	0
Allowance for possible loan losses	(375)	(394)	(3)
Total assets	**¥ 5,356,358**	**¥ 5,396,507**	**$ 48,259**

As of March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 27,580	¥ 28,368	$ 248
Policy reserves	4,543,377	4,616,919	40,935
Reserve for dividends to policyholders	34,104	36,959	307
	4,605,062	4,682,246	41,490
Reinsurance payables	397	311	3
Bonds payable	88,295	40,349	795
Other liabilities:			
Payables under securities borrowing transactions	88,616	44,967	798
Loans payable	51,000	97,000	459
Income taxes payable	60	3,321	0
Accounts payable	19,796	6,869	178
Accrued expenses	7,785	8,889	70
Deferred income	222	184	2
Deposits received	482	454	4
Guarantee deposits received	17,221	17,433	155
Derivative financial instruments	2,314	2,544	20
Cash collateral received for financial instruments	1,320	7,630	11
Lease obligations	2,922	3,946	26
Asset retirement obligations	246	243	2
Suspense receipts	133	171	1
	192,123	193,656	1,730
Reserve for employees' retirement benefits	33,640	35,365	303
Reserve for price fluctuation	40,890	38,710	368
Deferred tax liabilities for land revaluation	17,116	17,762	154
Acceptances and guarantees	6	10	0
Total liabilities	**4,977,531**	**5,008,412**	**44,846**
NET ASSETS:			
Foundation funds	91,000	126,000	819
Reserve for redemption of foundation funds	166,000	131,000	1,495
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	291	266	2
Other surplus:			
Reserve for fund redemption	26,200	48,600	236
Equalized reserve for dividends to policyholders	9,258	9,678	83
Unappropriated surplus (loss)	31,324	37,356	282
Subtotal	66,782	95,635	601
	67,073	95,901	604
Total foundation funds and others	324,355	353,183	2,922
Net unrealized gains (losses) on available–for–sale securities, net of tax	99,032	81,292	892
Land revaluation differences	(44,561)	(46,380)	(401)
Total valuation and translation adjustments	54,471	34,912	490
Total net assets	**378,826**	**388,095**	**3,413**
Total liabilities and net assets	**¥ 5,356,358**	**¥ 5,396,507**	**$ 48,259**

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 394,963	¥ 383,422	$ 3,558
Reinsurance revenue	1,763	1,531	15
	396,726	384,953	3,574
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	83,138	84,322	749
Interest on loans	7,096	8,371	63
Rent revenue from real estate	16,637	16,354	149
Other interest and dividends	1,019	929	9
	107,892	109,978	972
Gains on sales of securities	34,648	46,779	312
Foreign exchange gains	2,258	–	20
Reversal of allowance for possible loan losses	14	74	0
Other investment income	7,476	7,379	67
Investment gains on separate accounts	340	2,384	3
	152,631	166,597	1,375
Other ordinary income:			
Fund receipt from deposit of claims paid	11,145	13,793	100
Reversal of reserve for employees' retirement benefits	1,725	1,942	15
Reversal of reserve for outstanding claims	788	–	7
Reversal of policy reserves	73,541	83,226	662
Other ordinary income	1,842	1,713	16
	89,044	100,674	802
Total ordinary income	**638,402**	**652,225**	**5,751**
Ordinary expenses:			
Claims and other payments:			
Claims	121,536	124,809	1,095
Annuities	128,425	129,879	1,157
Benefits	71,701	82,264	646
Surrender benefits	90,757	95,710	817
Other payments	4,672	5,656	42
Reinsurance premiums	1,151	645	10
	418,245	438,966	3,768
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	–	1,003	–
Provision for interest on policyholders' dividend reserves	3	4	0
	3	1,008	0
Investment expenses:			
Interest expenses	4,700	4,449	42
Losses on sales of securities	12,520	2,285	112
Losses on valuation of securities	628	145	5
Losses on derivative financial instruments	22,923	13,891	206
Foreign exchange losses	–	2,530	–
Write-offs of loans	0	1	0
Depreciation of rental real estate and other assets	5,361	5,596	48
Other investment expenses	10,104	9,641	91
	56,239	38,542	506
Operating expenses	105,845	102,337	953
Other ordinary expenses:			
Claim deposit payments	12,675	14,767	114
Taxes	7,775	7,405	70
Depreciation	11,462	10,354	103
Other ordinary expenses	1,517	1,299	13
	33,431	33,827	301
Total ordinary expenses	**613,765**	**614,681**	**5,529**
Ordinary profit	**24,636**	**37,543**	**221**

For the years ended March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Extraordinary gains:			
Gains on disposal of fixed assets	3,433	194	30
	3,433	194	30
Extraordinary losses:			
Losses on disposal of fixed assets	7,098	1,538	63
Impairment losses	1,235	1,778	11
Provision for reserve for price fluctuation	2,180	2,130	19
Losses on reduction entry of real estate	241	–	2
Other extraordinary losses	239	–	2
	10,995	5,446	99
Surplus before income taxes	**17,074**	**32,291**	**153**
Income taxes:			
Current	3,055	6,680	27
Deferred	(2,202)	(377)	(19)
Total income taxes	**853**	**6,303**	**7**
Net surplus	**¥ 16,221**	**¥ 25,988**	**$ 146**

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2019	Foundation funds and others								
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus					Total foundation funds and others
				Reserve for future losses	Other surplus			Total surplus	
					Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)		
Beginning balance	**¥126,000**	**¥ 131,000**	**¥ 281**	**¥ 266**	**¥ 48,600**	**¥ 9,678**	**¥ 37,356**	**¥ 95,901**	**¥353,183**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,963)	(1,963)	(1,963)
Additions to reserve for future losses				25			(25)		
Additions to reserve for redemption of foundation funds		35,000			(35,000)			(35,000)	
Payment of interest on foundation funds							(6,266)	(6,266)	(6,266)
Net surplus							16,221	16,221	16,221
Redemption of foundation funds	(35,000)								(35,000)
Additions to reserve for fund redemption					12,600		(12,600)		
Reversal of equalized reserve for dividends to policyholders						(420)	420		
Reversal of land revaluation differences							(1,819)	(1,819)	(1,819)
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**(35,000)**	**35,000**	**–**	**25**	**(22,400)**	**(420)**	**(6,032)**	**(28,827)**	**(28,827)**
Ending balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥ 291**	**¥ 26,200**	**¥ 9,258**	**¥ 31,324**	**¥ 67,073**	**¥324,355**

Millions of Yen

For the year ended March 31, 2019	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 81,292**	**¥ (46,380)**	**¥ 34,912**	**¥ 388,095**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,963)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(6,266)
Net surplus				16,221
Redemption of foundation funds				(35,000)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				(1,819)
Net changes, excluding foundation funds and others	17,739	1,819	19,559	19,559
Net changes in the fiscal year	**17,739**	**1,819**	**19,559**	**(9,268)**
Ending balance	**¥ 99,032**	**¥ (44,561)**	**¥ 54,471**	**¥ 378,826**

Millions of Yen

For the year ended March 31, 2018	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**¥126,000**	**¥ 131,000**	**¥ 281**	**¥ 242**	**¥ 36,000**	**¥ 8,718**	**¥ 31,353**	**¥ 76,313**	**¥333,595**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,519)	(1,519)	(1,519)
Additions to reserve for future losses				24			(24)		
Payment of interest on foundation funds							(5,499)	(5,499)	(5,499)
Net surplus							25,988	25,988	25,988
Additions to reserve for fund redemption					12,600		(12,600)		
Additions to equalized reserve for dividends to policyholders						960	(960)		
Reversal of land revaluation differences							617	617	617
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**–**	**–**	**24**	**12,600**	**960**	**6,003**	**19,587**	**19,587**
Ending balance	**¥126,000**	**¥131,000**	**¥ 281**	**¥ 266**	**¥ 48,600**	**¥ 9,678**	**¥ 37,356**	**¥ 95,901**	**¥353,183**

Millions of Yen

For the year ended March 31, 2018	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 71,104**	**¥ (45,762)**	**¥ 25,341**	**¥ 358,937**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,519)
Additions to reserve for future losses				
Payment of interest on foundation funds				(5,499)
Net surplus				25,988
Additions to reserve for fund redemption				
Additions to equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				617
Net changes, excluding foundation funds and others	10,188	(617)	9,570	9,570
Net changes in the fiscal year	**10,188**	**(617)**	**9,570**	**29,158**
Ending balance	**¥ 81,292**	**¥ (46,380)**	**¥ 34,912**	**¥ 388,095**

Millions of U.S. Dollars

For the year ended March 31, 2019	Foundation funds and others								
				Surplus					
					Other surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Equalized reserve for dividends to policyholders	Unappropriated surplus (loss)	Total surplus	Total foundation funds and others
Beginning balance	**$ 1,135**	**$ 1,180**	**$ 2**	**$ 2**	**$ 437**	**$ 87**	**$ 336**	**$ 864**	**$ 3,182**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(17)	(17)	(17)
Additions to reserve for future losses				0			(0)		
Additions to reserve for redemption of foundation funds		315			(315)			(315)	
Payment of interest on foundation funds							(56)	(56)	(56)
Net surplus							146	146	146
Redemption of foundation funds	(315)								(315)
Additions to reserve for fund redemption					113		(113)		
Reversal of equalized reserve for dividends to policyholders						(3)	3		
Reversal of land revaluation differences							(16)	(16)	(16)
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**(315)**	**315**	**–**	**0**	**(201)**	**(3)**	**(54)**	**(259)**	**(259)**
Ending balance	**$ 819**	**$ 1,495**	**$ 2**	**$ 2**	**$ 236**	**$ 83**	**$ 282**	**$ 604**	**$ 2,922**

Millions of U.S. Dollars

For the year ended March 31, 2019	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	**$ 732**	**$ (417)**	**$ 314**	**$ 3,496**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(17)
Additions to reserve for future losses				
Additions to reserve for redemption of foundation funds				
Payment of interest on foundation funds				(56)
Net surplus				146
Redemption of foundation funds				(315)
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				(16)
Net changes, excluding foundation funds and others	159	16	176	176
Net changes in the fiscal year	**159**	**16**	**176**	**(83)**
Ending balance	**$ 892**	**$ (401)**	**$ 490**	**$ 3,413**

Non-consolidated Statements of Proposed Appropriation of Surplus (Loss)

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Unappropriated surplus (loss)	**¥ 31,324**	**¥ 37,356**	**$ 282**
Reversal of Voluntary surplus reserves:	**1,939**	**420**	**17**
Reversal of equalized reserve for dividends to policyholders	1,939	420	17
Total	**33,264**	**37,777**	**299**
Appropriation of surplus (loss):	**15,408**	**20,854**	**138**
Reserve for dividends to policyholders	2,173	1,963	19
Net surplus (loss):	13,235	18,891	119
Reserve for future losses	19	25	0
Interest on foundation funds	4,116	6,266	37
Voluntary surplus reserves:	9,100	12,600	81
Reserve for fund redemption	9,100	12,600	81
Surplus (loss) carried forward	**¥ 17,855**	**¥ 16,922**	**$ 160**

Notes to Non-consolidated Financial Statements

Asahi Mutual Life Insurance Company

I. Presentation of Non-consolidated Financial Statements

1. Basis of Presentation

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

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

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

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

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

2. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the reader and have been made, as a matter of arithmetical computation only, at the rate of ¥110.99 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2019.

The translations should not be construed as representations that such yen amounts have been or could in the future be, converted into U.S. dollars at that or any other rate.

II. Notes to Non-consolidated Balance Sheets

1. Significant Accounting Policies

(1) Valuation methods of securities

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

i) Trading securities are stated at fair market value. Costs of sales are determined by the moving average method.

ii) Held-to-maturity debt securities are stated at amortized cost (straight-line method) determined by the moving average method.

iii) Policy-reserve-matching bonds, which are in accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in Insurance Industry" (Industry Audit Committee Report No. 21 issued by the Japanese Institute of Certified Public Accountants ("JICPA")), are stated at amortized cost (straight-line method) determined by the moving average method.

iv) Investments in subsidiaries and affiliates are stated at cost.

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

(2) Policy-reserve-matching bonds

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

(3) Valuation methods of derivative financial instruments

Derivative financial instruments are stated at fair market value.

(4) Revaluation of land

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

■ Date of revaluation: March 31, 2001

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

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

(5) Depreciation of tangible fixed assets

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

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

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

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

(6) Foreign currency translation

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

(7) Allowance for possible loan losses

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

i) For credit to borrowers who are legally bankrupt such as being in bankruptcy proceedings or civil rehabilitation (hereinafter "legally bankrupt borrowers") and who are substantially bankrupt (hereinafter "substantially bankrupt borrowers"), the Company provides the remaining amount of credits after the direct write-off described below and the deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

ii) For credit to borrowers who are not currently bankrupt but have a high risk of bankruptcy (hereinafter "not currently bankrupt borrowers"), the Company provides the amounts deemed as necessary considering the borrowers' ability to pay, within the amounts after deductions of the amount expected to be collected through the disposal of collateral or the execution of guarantees.

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

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

For credit to legally bankrupt borrowers and substantially bankrupt borrowers, the amounts remaining after deductions of collateral value or the amounts collectible through the execution of guarantees are written-off directly from the book value as the estimated uncollectible amounts. The amounts written-off as of March 31, 2019 and 2018 were ¥47 million (US$0 million) and ¥60 million, respectively.

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

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

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

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

(9) Reserve for price fluctuation

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

(10) Accounting for hedging activities

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

The Company mainly applies the following hedging activities:

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

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

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

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

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

(11) Accounting for consumption taxes

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

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

(12) Policy reserves

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

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

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

(13) Software

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

2. Financial Instruments

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

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

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

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

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

The balance sheet amounts, fair values and the differences between those of major financial assets and liabilities as of March 31, 2019 and 2018 were as follows:

Millions of Yen

As of March 31	2019		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 36,102	¥ 36,102	¥ –
Call loans	140,000	140,000	–
Monetary claims bought	28,984	32,137	3,153
Trading securities	–	–	–
Held-to-maturity debt securities	28,339	31,492	3,153
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	645	645	–
Securities	4,226,979	4,604,058	377,079
Trading securities	25,410	25,410	–
Held-to-maturity debt securities	316,473	360,188	43,714
Policy-reserve-matching bonds	2,074,484	2,407,849	333,364
Available-for-sale securities	1,810,610	1,810,610	–
Loans	426,804	436,600	9,795
Policy loans	44,272	44,272	–
Industrial and consumer loans	382,531	392,327	9,795
Total assets	4,858,871	5,248,899	390,028
Bonds payable	88,295	89,200	905
Loans payable	51,000	50,855	(144)
Total liabilities	139,295	140,055	760
Derivative financial instruments	766	766	–
Hedge accounting not applied	221	221	–
Hedge accounting applied	544	544	–

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

As of March 31	Millions of Yen 2018 Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 31,635	¥ 31,635	¥ –
Call loans	164,000	164,000	–
Monetary claims bought	30,151	33,335	3,184
Trading securities	–	–	–
Held-to-maturity debt securities	30,151	33,335	3,184
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	–	–	–
Securities	4,112,857	4,457,152	344,295
Trading securities	27,816	27,816	–
Held-to-maturity debt securities	323,610	364,300	40,690
Policy-reserve-matching bonds	2,094,251	2,397,856	303,605
Available-for-sale securities	1,667,178	1,667,178	–
Loans	484,169	494,561	10,391
Policy loans	49,637	49,637	–
Industrial and consumer loans	434,532	444,924	10,391
Total assets	4,822,813	5,180,685	357,871
Bonds payable	40,349	43,585	3,236
Loans payable	97,000	96,768	(231)
Total liabilities	137,349	140,354	3,005
Derivative financial instruments	9,980	9,980	–
Hedge accounting not applied	1,811	1,811	–
Hedge accounting applied	8,169	8,169	–

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

As of March 31	Millions of U.S. Dollars 2019 Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 325	$ 325	$ –
Call loans	1,261	1,261	–
Monetary claims bought	261	289	28
Trading securities	–	–	–
Held-to-maturity debt securities	255	283	28
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	5	5	–
Securities	38,084	41,481	3,397
Trading securities	228	228	–
Held-to-maturity debt securities	2,851	3,245	393
Policy-reserve-matching bonds	18,690	21,694	3,003
Available-for-sale securities	16,313	16,313	–
Loans	3,845	3,933	88
Policy loans	398	398	–
Industrial and consumer loans	3,446	3,534	88
Total assets	43,777	47,291	3,514
Bonds payable	795	803	8
Loans payable	459	458	(1)
Total liabilities	1,255	1,261	6
Derivative financial instruments	6	6	–
Hedge accounting not applied	1	1	–
Hedge accounting applied	4	4	–

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

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

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

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

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

The amounts of the unlisted stocks and others, including investments in subsidiaries and affiliates, reported in the non-consolidated balance sheets were ¥30,478 million (US$274 million) and ¥76,012 million as of March 31, 2019 and 2018, respectively.

(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 values of bonds payable are based on the market values, etc. as of March 31, 2019 and 2018, respectively.

(4) Derivative financial instruments

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

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

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

3. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥251,447 million (US$2,265 million) and ¥274,067 million (US$2,469 million) as of March 31, 2019 and ¥268,270 million and ¥265,583 million as of March 31, 2018, respectively. The fair value is mainly based on the value (including some adjustments using the reference prices) of real estate appraisal report prepared by the external real-estate appraiser in accordance with real estate appraisal standards.

4. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥157,185 million (US$1,416 million) and ¥121,177 million as of March 31, 2019 and 2018, respectively.

5. Loans

The total amounts of loans to bankrupt borrowers, delinquent loans, delinquent loans three or more months past due and restructured loans, which were included in loans, were ¥757 million (US$6 million) and ¥906 million as of March 31, 2019 and 2018, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥0 million as of March 31, 2019 and 2018, respectively.

ii) Delinquent loans were ¥619 million (US$5 million) and ¥748 million as of March 31, 2019 and 2018, respectively.

iii) Delinquent loans three or more months past due were ¥110 million (US$0 million) and ¥120 million as of March 31, 2019 and 2018, respectively.

iv) Restructured loans were ¥27 million (US$0 million) and ¥36 million as of March 31, 2019 and 2018, respectively.

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 amounts of loans to bankrupt borrowers described above by ¥3 million (US$0 million) and ¥13 million as of March 31, 2019 and 2018, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥43 million (US$0 million) and ¥46 million as of March 31, 2019 and 2018, respectively.

6. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥277,831 million (US$2,503 million) and ¥279,518 million as of March 31, 2019 and 2018, respectively.

7. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥27,560 million (US$248 million) and ¥29,382 million as of March 31, 2019 and 2018, respectively. The amounts of separate account liabilities were the same as separate account assets.

8. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥297 million (US$2 million) and ¥1,318 million (US$11 million) as of March 31, 2019 and ¥285 million and ¥991 million as of March 31, 2018, respectively.

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

There were no receivables from directors and audit board members as of March 31, 2019 and 2018, respectively. The total amounts of payables to directors and audit board members were ¥15 million (US$0 million) and ¥15 million as of March 31, 2019 and 2018, respectively.

10. Deferred Taxes

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

As of March 31	Millions of Yen 2019	Millions of Yen 2018	Millions of U.S. Dollars 2019
Deferred tax assets	¥ 62,738	¥ 61,219	$ 565
Valuation allowance for deferred tax assets	20,304	21,488	182
Subtotal	42,434	39,730	382
Deferred tax liabilities	32,020	23,543	288
Net deferred tax assets (liabilities)	¥ 10,413	¥ 16,187	$ 93

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

As of March 31	Millions of Yen 2019
Deferred tax assets	
Contingency reserve	¥ 14,279
Reserve for price fluctuation	11,408
Reserve for employees' retirement benefits	9,385
Impairment losses	7,968
Losses on valuation of securities	7,528
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	30,833

As of March 31	Millions of Yen 2018
Deferred tax assets	
Contingency reserve	¥ 14,140
Reserve for price fluctuation	10,800
Reserve for employees' retirement benefits	9,866
Impairment losses	8,526
Losses on valuation of securities	5,542
Net unrealized losses on available-for-sale securities	3,988
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	22,605

As of March 31	Millions of U.S. Dollars 2019
Deferred tax assets	
Contingency reserve	$ 128
Reserve for price fluctuation	102
Reserve for employees' retirement benefits	84
Impairment losses	71
Losses on valuation of securities	67
Deferred tax liabilities	
Net unrealized gains on available-for-sale securities	277

(2) The statutory tax rates were 27.9% and 28.1% for the fiscal years ended March 31, 2019 and 2018, respectively. The main factors causing the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

For the years ended March 31	2019	2018
Change of valuation allowance for deferred tax assets	(8.9)%	(3.8)%
Interest on foundation funds	(8.5)%	(4.8)%
Reserve for dividends to policyholders	(3.1)%	(1.5)%

11. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Balance at the beginning of the fiscal year	¥ 36,959	¥ 40,861	$ 332
Transfer to reserve from surplus in the previous fiscal year	1,963	1,519	17
Dividends to policyholders paid out during the fiscal year	4,821	5,426	43
Increase in interest	53	58	0
Decrease in others	49	53	0
Balance at the end of the fiscal year	¥ 34,104	¥ 36,959	$ 307

12. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2019 and 2018 were ¥6,649 million (US$59 million) and ¥5,063 million, respectively.

13. Pledged Assets

Assets pledged as collateral as of March 31, 2019 and 2018 were securities in the amount of ¥16,506 million (US$148 million) and ¥4,325 million, respectively.

14. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter "reserve for outstanding claims for ceded reinsurance") was ¥4 million (US$0 million) as of March 31, 2019.

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 ¥270 million (US$2 million) and ¥177 million as of March 31, 2019 and 2018, respectively.

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

The total amounts of adjustment to redemption of foundation funds and appropriation of net surplus defined in Article 30, Paragraph 2 of the Enforcement Regulation of the Insurance Business Act were ¥99,314 million (US$894 million) and ¥81,574 million as of March 31, 2019 and 2018, respectively.

16. Redemption of Foundation Funds

Accompanying the redemption of foundation funds totaling ¥35,000 million (US$315 million), in accordance with Article 56 of the Insurance Business Act, the Company transferred the same amount from reserve for fund redemption to reserve for redemption of foundation funds for the fiscal year ended March 31, 2019.

17. Assets with Rights to Sell

The Company has the legal right to sell or collateralize securities borrowed under loan agreements.

The market values of these assets that were not sold or pledged as collateral as of March 31, 2019 and 2018 were ¥69,344 million (US$624 million) and ¥73,317 million, respectively. No assets were pledged as collateral as of March 31, 2019 and 2018.

18. Commitment Line

As of March 31, 2019 and 2018, there were unused commitment line agreements under which the Company is the lender of ¥3,922 million (US$35 million) and ¥4,101 million, respectively.

19. Subordinated Bonds Payable

As of March 31, 2019 and 2018, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

20. Subordinated Loans Payable

As of March 31, 2019 and 2018, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

21. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2019 and 2018 were ¥8,899 million (US$80 million) and ¥9,750 million, respectively. These contributions are charged as operating expenses in the fiscal years in which they are paid.

22. Reserve for Employees' Retirement Benefits

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Retirement benefit obligations at the beginning of the fiscal year	¥ 45,167	¥ 46,250	$ 406
Service cost	1,867	1,970	16
Interest cost	451	462	4
Actuarial difference occurred during the fiscal year	743	1,471	6
Retirement benefit payments	(4,644)	(4,986)	(41)
Retirement benefit obligations at the end of the fiscal year	¥ 43,586	¥ 45,167	$ 392

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Pension plan assets at the beginning of the fiscal year	¥ 10,418	¥ 8,493	$ 93
Expected return on pension plan assets	55	60	0
Actuarial difference occurred during the fiscal year	(3,013)	1,928	(27)
Contributions by the employer	130	129	1
Retirement benefit payments	(184)	(192)	(1)
Pension plan assets at the end of the fiscal year	¥ 7,407	¥ 10,418	$ 66

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2019**	**2018**	**2019**
a. Funded plan retirement benefit obligation	¥ 43,586	¥ 45,167	$ 392
b. Pension plan assets	(7,407)	(10,418)	(66)
c. a + b	36,179	34,749	325
d. Unrecognized actuarial differences	(2,684)	546	(24)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	33,495	35,295	301
f. Reserve for employees' retirement benefits	33,640	35,365	303
g. Prepaid pension cost	(145)	(70)	(1)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 33,495	¥ 35,295	$ 301

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2019**	**2018**	**2019**
Service cost	¥ 1,867	¥ 1,970	$ 16
Interest cost	451	462	4
Expected return on pension plan assets	(55)	(60)	(0)
Amortization of actuarial differences	526	538	4
Retirement benefit expenses related to defined benefit plan	¥ 2,790	¥ 2,910	$ 25

v) Breakdown of main pension plan assets

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

As of March 31	2019	2018
Stocks	46%	62%
Bonds	8%	6%
Others	46%	32%
Total	100%	100%

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

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

vii) Underlying actuarial assumptions

The main underlying actuarial assumptions were as follows:

As of March 31	2019	2018
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.5%	0.7%
Defined benefit corporate pension plans	1.5%	1.7%

III. Notes to Non-consolidated Statements of Income

1. Transactions with Subsidiaries and Affiliates

The total amounts of revenues and expenditures in connection with subsidiaries and affiliates were ¥678 million (US$6 million) and ¥9,759 million (US$87 million) for the fiscal year ended March 31, 2019 and ¥442 million and ¥10,245 million for the fiscal year ended March 31, 2018, respectively.

2. Investment Income and Expenses

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2019**	**2018**	**2019**
Domestic bonds	¥ 32,424	¥ 44,891	$ 292
Domestic stocks and other securities	1,685	1,709	15
Foreign securities	538	178	4

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2019**	**2018**	**2019**
Domestic bonds	¥ 2,224	¥ 549	$ 20
Domestic stocks and other securities	800	487	7
Foreign securities	9,495	1,249	85

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	**2019**	**2018**	**2019**
Domestic stocks and other securities	¥ 628	¥ 49	$ 5
Foreign securities	–	96	–

Losses on derivative financial instruments included net valuation losses of ¥1,091 million (US$9 million) and losses of ¥76 million for the fiscal years ended March 31, 2019 and 2018, respectively.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance considered in calculating reversal of reserve for outstanding claims for the fiscal year ended March 31, 2019 was ¥4 million (US$0 million).

Provisions for policy reserves for ceded reinsurance considered in calculating reversal of policy reserves for the fiscal years ended March 31, 2019 and 2018 were ¥92 million (US$0 million) and ¥47 million, respectively.

4. Impairment Losses of Fixed Assets

For the fiscal years ended March 31, 2019 and 2018, impairment losses of fixed assets by the Company were as follows:

(1) Method of grouping

Real estate and other assets used for insurance business operations are classified as one asset group as a whole. Other assets such as real estate for rent and unused real estate are classified as one group individually.

(2) Background information on recognizing the impairment losses

As the profitability of certain real estate for rent dropped down significantly due to a decrease in the level of rental income and a declining trend in the market prices of land, the Company reduced the book values of such real estate for rent and unused real estate to their recoverable amounts. The write-downs were recognized as impairment losses and included in the extraordinary losses.

(3) Asset groups for which impairment losses were recognized and losses by classification of fixed assets

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2019	2018	2019
Real estate for rent:			
Land	¥ 0	¥ 518	$ 0
Building	0	699	0
Others	0	–	0
Total real estate for rent (i)	0	1,217	0
Unused real estate:			
Land	918	369	8
Building	264	191	2
Others	52	–	0
Total unused real estate (ii)	1,235	560	11
Total:			
Land	918	888	8
Building	264	890	2
Others	52	–	0
Total (i) + (ii)	¥ 1,235	¥ 1,778	$ 11

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for rent are determined at net realizable value or value in use. The recoverable amounts for unused assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.5% and 3.6% for the fiscal years ended March 31, 2019 and 2018, respectively. Net realizable value is calculated based on the appraisal value in accordance with “Real Estate Appraisal Standards” or the publicly announced appraisal value after deducting expected disposal costs.

8. Company Overview (as of March 31, 2019)

Tokyo Head Office

Tama Head Office

Daitabashi Office

Company Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.3563 trillion yen
Number of Offices:	58 branches; 593 sales offices (as of April 1, 2019)
Number of Employees:	15,799 (staff: 4,132; sales representatives: 11,667)
Location of Tokyo Head Office:	6-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8103, Japan Tel: 81-3-6225-3111