Annual Report 2021

Year Ended March 31, 2021

Asahi Mutual Life Insurance Company

ASAHI LIFE

Contents

1. Message from the President

In this era of the 100-year lifespan, aiming to be a company that contributes to resolving social issues and continues to support customers' "life" through the life insurance business

木村 博紀

Hiroki Kimura
President and Representative Director

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. We are deeply grateful for all of your support over these many years.

Financial Results for the Fiscal Year Ended March 31, 2021 (FY 2020)

Financial results for the year ended March 31, 2021 were still good overall, with annualized premiums from new policies at 100.7% year-over-year and fundamental profit increasing ¥16.8 billion year-over-year, although we were affected by self-imposed restrictions on sales activities and other factors associated with the COVID-19 pandemic.

Looking Back on the Previous Mid-term Management Plan "TRY NEXT"

Under the previous mid-term management plan, "TRY NEXT" (FY 2018-2020), we saw growth in new policies through an increase in sales representative headcount and growth of independent agency channels. We maintained a net increase in annualized premiums from policies in force for protection-type products and improved profitability by ensuring investment income, thereby improving our financial soundness and ratings and otherwise providing a big boost to our results.

We will continue to emphasize working earnestly with customers and continuing or facilitating this virtuous cycle.

New Mid-term Management Plan "Advance: The Road to 2030"

We expect big, rapid-acting changes to affect the business environment in the years ahead as Japan's super-aged society takes root, society undergoes rapid digitalization, and initiatives are put into action to achieve a sustainable society.

As a life insurance company, Asahi Life's business operations themselves are deeply important and constitute a social responsibility. We hold that our universal mission as a company is to contribute to the achievement of a sustainable society through our core businesses, life insurance and investment.

Above all, as people's medical expenses and nursing-care burden become a serious social problem in Japan's super-aged society, we believe it is important to support the self-help efforts of our customers in this era of the 100-year lifespan and to contribute to addressing the problems in a society of health and longevity by providing the medical and nursing care insurance products and services in which Asahi Life has strength, as well as by providing value in the healthcare sector, such as prevention of the worsening of diseases.

Based on the above recognition, we established our new mid-term management plan, "Advance: The Road to 2030," a three-year plan that lays out a growth trajectory towards 2030 "aiming to be a company that contributes to resolving social issues and continues to support customers' 'life' through our life insurance business in this era of the 100-year lifespan." The new mid-term management plan focuses on three strategies: the "Third-sector (Products/Services) Strategy," the "Channel Strategy," and the "Investment Strategy." In addition, there are two growth drivers to support these three strategies: the "DX Strategy" and the "Human Resource Strategy." Through these strategies, we will work to push forward our initiatives currently underway and create new areas of growth.

Third-sector (Products/Services) Strategy

● Focus on Medical Insurance and Nursing Care Insurance

In 2003, Asahi Life began full-scale implementation of initiatives focused on third-sector products such as medical and nursing care insurance, developing advanced insurance products and services such as "Anshin Kaigo," the first insurance product to ever win the Good Design Award. We worked to further expand our nursing care insurance product line-up. In April 2020, we launched the nursing care insurance product for mild cognitive impairment, and then in October we launched the lump-sum payment insurance for dementia which enabled application to be conducted over the internet.

In the new mid-term management plan, as well, we will continue focusing on the third-sector insurance market, especially the medical/lifestyle disease and nursing care/dementia sectors in which we have strength. Above all, we aim to establish a market presence as "the go-to company for nursing care insurance" by offering new products and services that can meet a broader range of customers' needs and thereby address the increasingly severe problems caused by nursing care.

● Providing New Value in the Healthcare Sector

As Japan's super-aged society takes root and advances in information technology power ahead, there is growing needs for coverage in healthcare sector.

By providing unique products and services such as support for the early treatment of diseases and prevention of the worsening of lifestyle diseases to a state requiring nursing care, we will perform a complementary role to the social security system in Japan's super-aged society.

Channel Strategy

● Building a Strong Sales Representative Structure

Sales representatives comprise Asahi Life's primary sales channel. The COVID-19 pandemic created a sudden need for non-face-to-face communication from our customers, and we will push our sales activities to evolve by incorporating digital technology into our specialty of "face-to-face consultation that only humans can offer."

Furthermore, we will build a strong sales representative structure by working to improve our training systems for such staff.

● Promotion of Multi-channel Strategy

In terms of independent agency channels for individual customers, Nanairo Life Insurance Co., Ltd., which is a newly established company and sell products through independent agency channels, is working to strengthen its product development capabilities and enhance its sales channels in order to further grow Asahi Life Group's market share.

Additionally, in order to address rapidly growing needs for digital solutions, we will develop digital channels, in which we sell our products through

internet. Further, we will promote data-driven marketing*1 that analyzes and utilizes customers' data to provide products and services suited to customer needs.

*1 Methodologies of implementing the marketing PDCA cycle utilizing data that has been accumulated and analyzed.

● Expansion of Overseas Business

In preparation for a shrinking domestic market in the future, we worked to establish an overseas business model through measures such as providing our sales expertise on telemarketing for medical insurance and other products, as well as promoting consultation on utilizing internet to Vietnamese insurance companies which are in partnership with us. Moving ahead, we will continue to expand our insurance business in Vietnam and study further expansion primarily in Asia.

Investment Strategy

As interest rates decline worldwide, the severe investment environment is expected to continue. In order to ensure sustainable investment income, we will aim to diversify the range of asset classes in which we invest to mitigate investment risk.

Additionally, we will contribute to the achievement of a sustainable society through ESG (environment, social, governance) investment, thereby reducing investment risk and creating new opportunities to profit. Further, we will also shift to an economic value-based portfolio in preparation for the implementation of economic value-based regulations in 2025.

DX Strategy*2

To adapt to rapid digitalization and diversifying customer needs, we will implement DX and provide added value in the form of an improved customer experience. In order to improve customer experience, we will transform our systems infrastructure to promote DX, as well as engage in three reforms to sales channels, products and services, and business operations.

*2 Abbreviation for digital transformation. This is the utilization of digital technology and data to provide new products and services, create value for customers, and gain a competitive advantage

Human Resource Strategy

In order to promote the vigorous personnel activity that is at the core of all of our businesses, we will focus on "developing human resources who continue to endeavor," "restructuring our human resources portfolio," and "penetrating work style reforms" by ensuring that each and every staff member follows three behavioral guidelines: "Challenging yourself," "Career self-reliance," and "Improving productivity."

Aiming for the achievement of a Sustainable Society

Based on our basic management philosophy of "Sincere Service," as well as our belief that our company's business operations themselves are deeply important and constitute a social responsibility, we work to "engage in business that prioritizes the improvement of customer satisfaction," pursue "co-existence with society through continued engagement to create a prosperous society," and finally to "improve employee satisfaction through the creation of a comfortable workplace that fosters employees."

In terms of our businesses, we contribute to the resolution of global social issues by (in our core life insurance business) providing life insurance products and services that reinforce a society of health and longevity, and (in our investment business) by promoting ESG (environment, social, governance) investment.

Alongside this, we will work to contribute to the achievement of all 17 SDGs by working on environmental initiatives aimed at a decarbonized society, as well as CSR activities, work style reforms, health and productivity management, human rights awareness-raising promotion, and other initiatives.

In line with our sustainability management policy created under the new mid-term management plan, we will actively develop these initiatives with the aim of improving corporate value and contributing to the achievement of a sustainable society as a company that grows along with society.

Conclusion

My deepest sympathies go out to all of those affected by the COVID-19 global pandemic.

In the context of the COVID-19 pandemic, Asahi Life has worked to provide special treatment of insurance policies and, in order to improve customer convenience as people shift to "new lifestyles" under the pandemic, to provide options such as online life insurance policy consultation services and application for insurance policies using online "web applications."

Moving forward, Asahi Life will continue to place the highest priority on the health and safety of our customers and employees, and continue to provide flexible services that bring our customers comfort.

We look forward to your continued support and patronage in the future.

Review of the Previous Mid-term Management Plan “TRY NEXT - Realizing Growth and Shaping the Future”

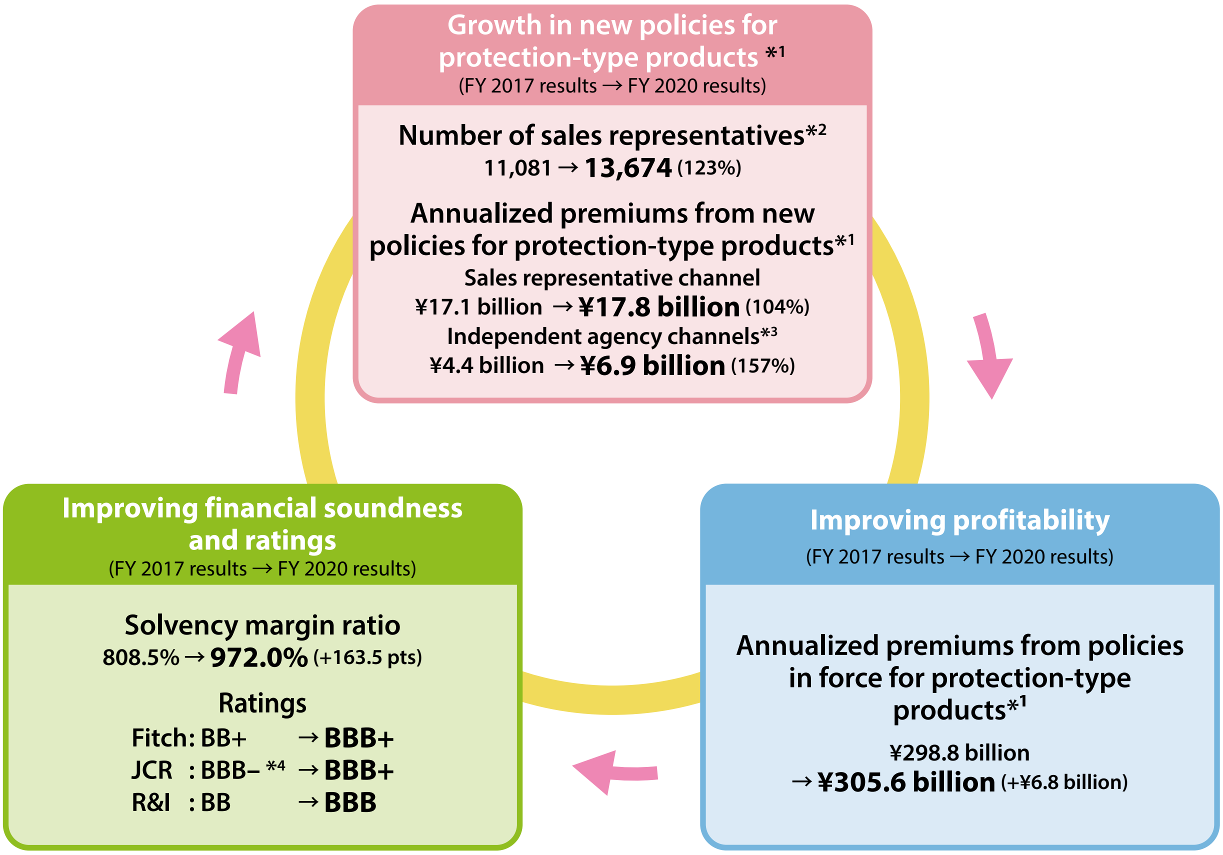
We did fail to meet some of our strategic targets due to a decline in sales of insurance for corporate customers, but we nonetheless made progress towards our overall goals.

● Achievement of strategic targets

		Beginning of FY 2018 Start of the mid-term management plan	End of FY 2018	End of FY 2019	End of FY 2020 (End of mid-term management plan)	End of FY 2020 targets
Number of customers	Number of individual customers	2.518 million	2.536 million	2.562 million	2.602 million	2.580 million
	Number of corporate customers	39 thousand	42 thousand	41 thousand	41 thousand	43 thousand
Policies in force for protection-type products (Annualized premiums)		¥321.2 billion	¥339.7 billion	¥339.9 billion	¥340.7 billion	¥347.0 billion
	(Subset) Policies for individual customers*	¥273.2 billion	¥274.0 billion	¥277.2 billion	¥280.9 billion	¥283.0 billion
Nursing care insurance	Number of new policies	—	100 thousand	101 thousand	99 thousand	98 thousand

* 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.

We saw growth in new policies for protection-type products through an increase in sales representative headcount and growth of our independent agency business. This enabled us to maintain a net increase in policies in force for protection-type products. We also secured investment income, thereby improving our financial soundness and ratings.



*1 Excluding Grand Stage / Prime Stage, insurance for corporate customers
*2 Excluding non-regular staff, etc.
*3 Insurance stores, independent agencies, telemarketing, OTC sales at banks, etc.
*4 JCR ratings was as of Dec. 2018

New Mid-term Management Plan "Advance: The Road to 2030"

Asahi Life has established a new three-year mid-term management plan for FY 2021 through FY 2023: "Advance: The Road to 2030."

Establishment of A New Mid-term Management Plan Looking ahead to 2030

The new mid-term management plan was established based on our clear vision of what kind of company we want Asahi Life to be in ten years, in light of business environment in 2030.

While the realization of a sustainable society is required towards 2030, Asahi Life will contribute to a sustainable society through life insurance business and investment business, based on the belief that Asahi Life's business operations themselves are deeply important and constitute a social responsibility.

Above all, as people's medical expenses and nursing-care burden become a serious social problem in Japan's superaged society, we will support the self-help efforts of our customers in this era of the 100-year lifespan and contribute to addressing the problems in a society of health and longevity by providing the medical and nursing care insurance products and services in which Asahi Life has strength, as well as by providing value in the healthcare sector, such as prevention of the worsening of diseases.

Based on this recognition, we established our vision for what we aim for Asahi Life to become towards 2030 as follows.

Asahi Life's Vision for 2030

Asahi Life: a company that contributes to resolving social issues and continues to support customers' "life" through the life insurance business in this era of the 100-year lifespan

4. 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, 2021, we had a non-consolidated solvency margin ratio of 972.0 percent, and insurer financial strength ratings of BBB+ (Stable Outlook) from Fitch, BBB (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 customer access, Asahi Life operates a multi-channel sales structure utilizing our sales representative and independent agency channels to provide retail products to our customers.

Our sales representatives, who provide face-to-face customer service, comprise our most significant distribution channel. As of March 31, 2021, we employed a total of 14,002 sales representatives. As of April 1, 2021, we had 575 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 the company they trust, we work to cultivate high-quality sales representatives who are not only knowledgeable about life insurance products, but also about various financial instruments, social insurance, tax, and other related matters.

Although we are continuously strengthening our sales representative channel, we also have been diversifying our distribution channels by utilizing independent agencies such as walk-in insurance shops and telemarketing. We have been successfully expanding these independent agency channels over time, and in order to grow them even further, we spun the channels off into the Nanairo Life Insurance Co., Ltd. in April 2021. Through independent agency channels, Nanairo Life will provide medical insurance and other third-sector products to accurately and flexibly serve customers' diversifying needs.

Business Performance (Annualized Premiums)

● New Policies for Individual Insurance/Individual Annuities

Annualized premiums from new policies reached 100.7% of the previous fiscal year.
Of these, third-sector products reached 101.3% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2020	2021	Year-over-year
New policies	25.0	25.1	100.7%
Third-sector products	20.7	20.9	101.3%

● Surrendered and Lapsed Policies for Individual Insurance/Individual Annuities

Annualized premiums from surrendered and lapsed policies ended at 93.6% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2020	2021	Year-over-year
Surrendered and lapsed policies	23.4	21.9	93.6%
Surrender and lapse ratio	4.34%	4.14%	(0.20points)

● Policies in Force for Individual Insurance/Individual Annuities

Annualized premiums from policies in force ended at 98.2% of the end of the previous fiscal year.
Of these, third-sector products reached 102.6% of the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2020	2021	Year-over-year
Policies in force	530.7	521.2	98.2%
Third-sector products	215.7	221.4	102.6%

New Policies for Protection-type Products

Annualized premiums from new policies for protection-type products, a focus of Asahi Life, reached 101.3% of the previous fiscal year. Annualized premiums from new policies for protection-type products excluding insurance for corporate customers reached 100.8% of the previous fiscal year.

(Billions of Yen)

Years ended March 31	2020	2021	Year-over-year
New policies	25.0	25.3	101.3%
Sales representative channel	18.3	18.3	100.4%
Independent agency channels for individual customers	6.7	6.9	103.8%
Excluding insurance for corporate customers	24.6	24.8	100.8%

Policies in Force for Protection-type Products

Annualized premiums from policies in force for protection-type products gained +¥0.7 billion on the end of the previous fiscal year, exhibiting an ongoing increasing trend. Excluding insurance for corporate customers, the gain was +¥3.9 billion on the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2020	2021	Year-over-year
Policies in force	339.9	340.7	+0.7
Sales representative channel	321.1	317.8	(3.3)
Independent agency channels for individual customers	18.7	22.8	+4.0
Excluding insurance for corporate customers	301.7	305.6	+3.9

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 (excludes saving-type products).

Financial Performance

Fundamental Profit

Due to improvements in negative spread amounts caused by an increase in interest, dividends and other income, fundamental profit grew ¥16.8 billion relative to the previous fiscal year to ¥46.5 billion.

(Billions of Yen)

Years ended March 31	2020	2021	Year-over-year
Fundamental profit	29.6	46.5	+16.8
Underwriting gains	77.9	80.4	+2.5
Negative spread amount	(48.3)	(33.9)	+14.3

Ordinary Profit, Net Surplus

Ordinary profit was ¥36.6 billion, with a net surplus of ¥23.2 billion.

(Billions of Yen)

Years ended March 31	2020	2021	Year-over-year
Ordinary profit	31.0	36.6	+5.5
Net surplus	20.4	23.2	+2.8

Financial Soundness

Solvency Margin Ratio

Solvency margin ratio increased 29.2 points relative to the end of the previous fiscal year, raising it to 972.0%.

As of March 31	2020	2021	Year-over-year
Solvency margin ratio	942.8%	972.0%	+29.2points

Adjusted Net Assets

Adjusted net assets reached ¥1,159.9 billion, an increase of ¥100.0 billion relative to the end of the previous fiscal year.

(Billions of Yen)

As of March 31	2020	2021	Year-over-year
Adjusted net assets	1,059.8	1,159.9	+100.0

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

(Billions of Yen)

As of March 31	2020	2021	Year-over-year
Securities	472.4	536.1	+63.7
Domestic stocks	93.0	227.9	+134.8
Domestic bonds	322.9	237.3	(85.5)
Foreign securities	64.3	62.7	(1.6)
Other securities	(10.9)	5.6	+16.6

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, 2021, 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, functions largely like capital.

Results of Operations

● Statements of Income

(Billions of Yen)

Years ended March 31	2020	2021	Year-over-year
Ordinary income:	622.0	600.7	96.6%
Premium and other income:	393.6	391.4	99.4%
Insurance premiums from individual insurance and individual annuities	372.7	369.8	99.2%
Investment income:	139.7	146.5	104.8%
Interest, dividends and other income	108.7	118.1	108.7%
Gains on sales of securities	23.8	15.2	63.9%
Other ordinary income:	88.6	62.7	70.8%
Reversal of policy reserves	75.3	48.6	64.5%
Ordinary expenses:	591.0	564.0	95.4%
Claims and other payments:	406.5	385.3	94.8%
Claims	114.6	112.0	97.7%
Annuities	126.8	122.1	96.3%
Benefits	71.4	68.2	95.5%
Surrender benefits	88.0	77.5	88.1%
Investment expenses:	42.7	34.5	80.9%
Losses on sales of securities	2.8	5.5	196.4%
Losses on valuation of securities	0.3	0.0	5.3%
Losses on derivative financial instruments	16.5	8.8	53.6%
Operating expenses	106.3	110.3	103.8%
Other ordinary expenses	33.6	33.8	100.5%
Ordinary profit	31.0	36.6	117.9%
Extraordinary gains:	0.1	0.2	238.4%
Gains on disposal of fixed assets	0.0	0.1	161.3%
Extraordinary losses:	4.7	8.6	182.0%
Losses on disposal of fixed assets	1.3	1.4	107.9%
Impairment losses	0.9	2.9	307.5%
Provision for reserve for price fluctuation	2.3	2.4	104.7%
Surplus before income taxes	26.4	28.3	107.0%
Total income taxes	6.0	5.0	83.5%
Net surplus	20.4	23.2	114.0%

Ordinary income was ¥600.7 billion (96.6% of the previous fiscal year), of which ¥391.4 billion (99.4%) was premium and other income. Investment income was ¥146.5 billion (104.8%) mainly due to an increase in interest, dividends and other income.

Ordinary expenses were ¥564.0 billion (95.4%), of which ¥385.3 billion (94.8%) was claims and other payments. Investment expenses were ¥34.5 billion (80.9%) mainly due to a decrease in losses on derivative financial instruments. Operating expenses were ¥110.3 billion (103.8%).

This resulted in an ordinary profit of ¥36.6 billion (117.9%).

Extraordinary gains were ¥0.2 billion (238.4%), and extraordinary losses were ¥8.6 billion (182.0%). Total income taxes reached ¥5.0 billion.

As a result of the above factors, net surplus was ¥23.2 billion (114.0%).

Assets, Liabilities and Net Assets

Selected Assets Data

(Billions of Yen)

As of March 31	2020	2021	Year-over-year
Total assets:	5,388.6	5,539.4	+150.7
Cash, deposits and call loans	112.5	148.3	+35.8
Monetary claims bought	26.9	25.0	(1.8)
Securities:	4,373.7	4,612.3	+238.5
Domestic bonds	2,727.9	2,714.7	(13.2)
Domestic stocks	288.1	447.3	+159.2
Foreign securities	1,294.0	1,368.8	+74.8
Loans	377.9	303.4	(74.4)
Tangible fixed assets	382.7	377.8	(4.8)
Others	114.7	72.3	(42.4)

Selected Liabilities/Net Assets Data

(Billions of Yen)

As of March 31	2020	2021	Year-over-year
Total liabilities:	4,997.1	5,014.8	+17.7
Policy reserves and other reserves:	4,529.4	4,477.9	(51.4)
Policy reserves	4,467.9	4,419.3	(48.6)
Bonds payable	88.2	127.7	+39.4
Others	379.3	409.1	+29.7
Total net assets:	391.5	524.5	+132.9
Total foundation funds and others:	339.1	356.6	+17.5
Foundation funds	91.0	91.0	–
Reserve for redemption of foundation funds	166.0	166.0	–
Reserve for revaluation	0.2	0.2	–
Surplus:	81.8	99.3	+17.5
Reserve for future losses	0.3	0.3	+0.0
Other surplus:	81.5	99.0	+17.5
Reserve for fund redemption	35.3	44.4	+9.1
Equalized reserve for dividends to policyholders	7.3	7.0	(0.2)
Unappropriated surplus (loss)	38.8	47.5	+8.6
Total valuation and translation adjustments:	52.4	167.8	+115.4
Net unrealized gains (losses) on available-for-sale securities, net of tax	97.6	213.2	+115.5
Land revaluation differences	(45.1)	(45.3)	(0.1)
Total liabilities and net assets	5,388.6	5,539.4	+150.7

As of March 31, 2021, total assets were ¥5,539.4 billion, with securities accounting for ¥4,612.3 billion, loans at ¥303.4 billion, and tangible fixed assets at ¥377.8 billion. Securities saw an increase for domestic stocks primarily due to increased stock prices. Foreign securities also saw an increase as we allocated some funds to relatively higher-yield foreign securities.

Total liabilities were ¥5,014.8 billion, of which policy reserves accounted for ¥4,419.3 billion.

Total net assets were ¥524.5 billion, of which total foundation funds and others amounted to ¥356.6 billion, and total valuation and translation adjustments amounted to ¥167.8 billion.

Investments (General Account)

Investment Environment

In the year ended March 31, 2021 (FY 2020), the Japanese economy overall continued to face tough conditions due to effects of the global COVID-19 pandemic, however policy effects and improvements in foreign economies resulted in partial recovery primarily in exports and manufacturing.

Although overseas economies remained in difficult situation as well, there were signs of some recovery primarily in the United States and China, supported by aggressive macroeconomic policy.

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 alternative investments*1 and credit investments*2, 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 factors.

*1 Investments in infra-funds, real estate investment trusts, hedge funds, etc., which are considered as alternative investments to traditional investment assets such as stocks and bonds.

*2 Investments in corporate bonds, loans, and similar products.

Overview of Investment Performance

In the fiscal year ended March 31, 2021, we limited allocations to government bonds while focusing funding on relatively higher-yield alternative investments and credit investments.

For domestic bonds, we mainly purchased relatively higher-yield assets such as corporate bonds, while limiting purchases of long-term government bonds.

For loans, we reduced overall balance due to low interest rates, however we made aggressive investments in project finance for domestic and foreign renewable energy-related projects.

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

For foreign currency-denominated bonds, we limited fund allocation due to low foreign interest rate environment, and shifted funds to foreign credit investment trusts. Additionally, we invested in alternative investments managed by our business partner, major French asset management firm Natixis Investment Managers S.A. with the aim of expanding our investment opportunities and diversifying our sources of earnings.

We made an effort to improve real estate profitability by attracting new tenants and other measures.

6. ESG Investment Initiatives

As initiatives aimed at creating sustainable societies are pursued throughout the world, Asahi Life is engaged in ESG investment with the goal of contributing to the resolution of environmental issues and other social problems through investment.

In this context, we signed the Principles for Responsible Investment (PRI)* and are strengthening initiatives pertaining to ESG investment based on the Basic Policy on ESG Investment, which is focused on ESG issues.

In 2020's Annual PRI Assessments (which are focused on activities in 2019), these efforts earned us the highest rating, A+, for our stewardship activities for listed stocks.

* The Principles for Responsible Investment advocate that institutional investors should incorporate consideration of environmental, social, and governance issues into their investment decision-making process in order to bring about a sustainable society.

Specific ESG Investment Initiatives

ESG Integration

In making investment decisions mainly in stocks, we consider investee companies' non-financial ESG information as well as their financial data.

Negative Screening

As a general rule, Asahi Life does not invest in companies that manufacture cluster munitions and other inhumane weapons or in projects to develop coal-fired power generation facilities that emit high levels of CO_2 and have a significant negative impact on climate change.

ESG-themed Investment

Asahi Life actively conducts themed investment and lending activities focused on assets that contribute to the resolution of environmental, social, and governance issues. In the past, we have conducted investment and lending activities involving green bonds (focused on environmental conservation, etc.), social bonds (focused on resolving social issues, etc.), and renewable energy projects such as solar power.

Engagement

Engagement in constructive dialogue with investee companies is a central pillar of Asahi Life's stewardship activities as a responsible institutional investor, and we incorporate ESG issues into that dialogue process.

Other

When outsourcing asset management to an investment trust or fund, we work to choose primarily asset management firms that are PRI signees.

7. Addressing the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Asahi Life endorsed the recommendations of the TCFD, which was established by the Financial Stability Board, in June 2019.

With respect to the climate change-related thematic areas of "governance," "strategy," "risk management," and "metrics and targets" contained in the TCFD's climate recommendations, we will work to make full disclosures regarding the status of initiatives that "contribute to the achievement of a sustainable society" from both our primary business, life insurance, and from our investment business as an institutional investor.

■ Governance

Asahi Life has established the Asahi Life Environmental Policy for the implementation of climate change initiatives and other initiatives to protect the Earth's environment. As a responsible institutional investor, we have also established the Basic Policy on ESG Investment with the aim of contributing to the achievement of a sustainable society.

Based on these policies, we will build a structure by which managers can monitor Asahi Life's response to the TCFD and climate change generally.

■ Strategy (Risk and Opportunity)

Life Insurance	Investment
We view the medium- to long-term impact of increasing average temperatures and abnormal weather on people's health as well as the intensification of natural disasters as physical risks. Additionally, we view any increased operating costs that exceed estimates for the transition to a decarbonized society as a transition risk. We will continue gathering information on each of these issues as we move forward.	We believe that physical and transition risks associated with climate change will have an impact on our investee companies' sustainability, and that this represents a risk of damaging asset values. Meanwhile, we view the increase in investment opportunities contributing to the resolution of climate change as a profit opportunity, regarding which we are promoting themed investments and other initiatives. In addition, we will engage in discussions with investees in order to lower the risks associated with climate change described above.

■ Risk Management

Life Insurance	Investment
We will conduct studies and research on the effects of climate change on morbidity and mortality rates, as well as the effects of natural disasters on insurance claims and other payments. Further, we will continuously review business continuity plans by taking into account the likely intensification of natural disasters. We will also conduct studies and research on the effects of transitioning to a decarbonized society.	We will put in place systems that enable us to analyze the impact on our investment portfolio.

■ Metrics and Targets

Life Insurance
We have set CO_2 emissions reduction targets through FY 2030. [40% reduction from FY 2013 levels]

8. Insurance Group that Provides a Variety of Insurance Types

In order to precisely respond to customers' diversifying needs, Asahi Life will partner with Group companies to implement agile product development as well as a "multi-channel" strategy that features expanded independent agency channels such as insurance shops and telemarketing in addition to our sales representative channel.

Asahi Mutual Life Insurance Company

Our roughly 14,000 sales representatives throughout Japan provide face-to-face service for customers. They provide thorough consultation services during the application process and provide extensive follow-up service to address the needs of each individual customer, such as information as suited to changes in customers' life cycles.

Nanairo Life Insurance Co., Ltd.

Established in April 2021, Nanairo Life plans to begin selling life insurance in October 2021. Primarily working through channels such as independent agencies and direct marketing, Nanairo Life will provide third-sector products such as medical insurance to accurately and flexibly serve customers' diversifying needs.

NHS Insurance Group Inc.

NHS Insurance Group is a holding company of four insurance agencies, NHS Inc., Sokisha Inc., FEA Inc., and Life Navi Partners Inc. In telemarketing and door-to-door sales, they select and suggest the insurance product that best suits the needs of each individual customer from a range of products offered by various insurance companies.

F.L.P. Co., Ltd.

FLP is an independent agency which runs a chain of over twenty insurance shops in the Tokyo Metropolitan Area under the brand "Insurance Consultation Salon FLP." FLP selects and suggests the insurance product that best suits the needs of each individual customer from a range of products offered by various insurance companies.

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.

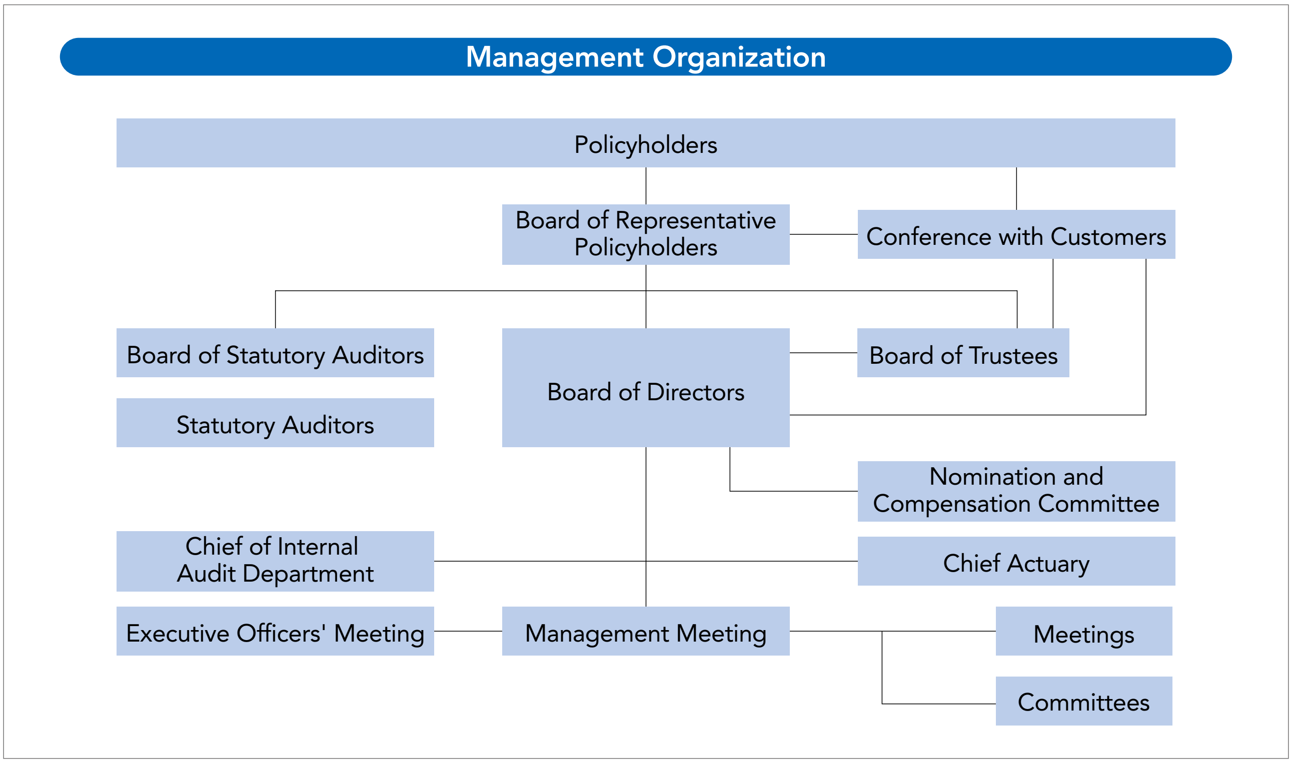
We are also making efforts to achieve effective corporate governance in order to both maintain our financial soundness and make decisions in a transparent, fair, quick, and decisive manner.

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. Under this structure, the company is comprised of individual insurance policyholders, who are considered members of the company. Therefore, the General Meeting of Policyholders serves as the highest decision-making body at Asahi Life, but since it is difficult to realistically hold a General Meeting for all roughly 1.92 million policyholders, we have established a Board of Representative Policyholders in accordance with the Insurance Business Act to act on behalf of the General Meeting of 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 crucially important for management, we have established a framework to protect customer information, personal information, and personally identifiable information. We strictly implement that framework based on the 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 society, and to 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 policy is established to comprehensively identify risks managed by Asahi Life and its Group, and to manage such risks appropriately to achieve management targets.

Within this Basic Policy, we have identified the various types and locations of risks faced by Asahi Life and the Group, and with respect to each risk, we set down certain risk management methods.

Each executive department in the company works to appropriately control risk in the operations under their jurisdiction as per the basic policy and rules for each risk type, while each risk management department works to properly control risks through regular identification and reporting of the status of risks facing Asahi Life and the Group.

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.

Risk management status is periodically reported in management meetings and the Board of Directors, and 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 comprehensive 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. 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, 2021)

President and Representative Director
Hiroki Kimura

Representative Director and Managing Executive Officer
Yasuhiro Iguchi

Director and Managing Executive Officer
Yukihiro Fujioka

Director and Managing Executive Officer
Kenichiro Ishijima

Director and Managing Executive Officer
Kenichi Ikeda

Director and Managing Executive Officer
Kouichi Kashimada

Director and Executive Officer
Masahiro Shimotori

Director
Kazuko Ohya(1)

Director
Takashi Tsukamoto(1)

Director
Kenji Watanabe(1)

Standing Statutory Auditor
Hideki Konishi

Standing Statutory Auditor
Kaoru Masuda

Statutory Auditor
Tadayuki Seki(2)

Statutory Auditor
Mitsuyoshi Shibata(2)

Statutory Auditor
Yoichi Kikuchi(2)

(1) Outside director
(2) Outside statutory auditor

Consolidated Balance Sheets

Asahi Mutual Life Insurance Company and its Consolidated Subsidiaries

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
ASSETS:			
Cash and deposits	¥ 44,149	¥ 35,227	$ 398
Call loans	113,000	82,000	1,020
Monetary claims bought	25,094	26,915	226
Securities	4,598,851	4,369,302	41,539
Loans	303,451	377,913	2,740
Tangible fixed assets:			
Land	221,081	224,609	1,996
Buildings	150,539	152,653	1,359
Lease assets	1,459	1,963	13
Construction in progress	1,589	614	14
Other tangible fixed assets	3,376	2,933	30
	378,046	382,776	3,414
Intangible fixed assets:			
Software	16,935	18,735	152
Other intangible fixed assets	13,006	5,995	117
	29,941	24,731	270
Agency accounts receivable	14	11	0
Reinsurance receivables	987	446	8
Other assets	46,670	82,963	421
Net defined benefit assets	494	178	4
Deferred tax assets	152	8,863	1
Customers' liabilities under acceptances and guarantees	1	3	0
Allowance for possible loan losses	(406)	(391)	(3)
Total assets	**¥ 5,540,449**	**¥ 5,390,941**	**$ 50,044**
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 28,572	¥ 29,378	$ 258
Policy reserves	4,419,372	4,467,997	39,918
Reserve for dividends to policyholders	30,050	32,073	271
	4,477,995	4,529,448	40,447
Reinsurance payables	680	563	6
Bonds payable	127,773	88,295	1,154
Other liabilities	295,766	288,156	2,671
Net defined benefit liabilities	32,914	34,985	297
Reserve for price fluctuation	45,680	43,230	412
Deferred tax liabilities	22,354	–	201
Deferred tax liabilities for land revaluation	16,268	16,838	146
Acceptances and guarantees	1	3	0
Total liabilities	**5,019,435**	**5,001,521**	**45,338**
NET ASSETS:			
Foundation funds	91,000	91,000	821
Reserve for redemption of foundation funds	166,000	166,000	1,499
Reserve for revaluation	281	281	2
Consolidated surplus	97,154	81,429	877
Total foundation funds and others	354,436	338,711	3,201
Net unrealized gains (losses) on available-for-sale securities, net of tax	213,201	97,625	1,925
Land revaluation differences	(45,354)	(45,183)	(409)
Accumulated remeasurements of defined benefit plans	(1,349)	(1,814)	(12)
Total accumulated other comprehensive income	166,497	50,627	1,503
Non-controlling interests	79	81	0
Total net assets	**521,014**	**389,420**	**4,706**
Total liabilities and net assets	**¥ 5,540,449**	**¥ 5,390,941**	**$ 50,044**

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	2021	2020	2021
Ordinary income:			
Premium and other income	¥ 391,410	¥ 393,639	$ 3,535
Investment income:			
Interest, dividends and other income	117,912	108,447	1,065
Gains on sales of securities	15,249	23,854	137
Gains on redemption of securities	77	50	0
Foreign exchange gains	387	–	3
Other investment income	6,941	7,143	62
Investment gains on separate accounts	5,740	–	51
	146,309	139,494	1,321
Other ordinary income	66,577	93,228	601
Total ordinary income	**604,297**	**626,362**	**5,458**
Ordinary expenses:			
Claims and other payments:			
Claims	112,015	114,654	1,011
Annuities	122,158	126,889	1,103
Benefits	68,241	71,469	616
Surrender benefits	77,538	88,017	700
Other payments	5,431	5,530	49
	385,384	406,561	3,481
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	–	1,798	–
Provision for interest on policyholders' dividend reserves	3	3	0
	3	1,801	0
Investment expenses:			
Interest expenses	4,470	4,526	40
Losses on trading securities	485	–	4
Losses on sales of securities	5,520	2,810	49
Losses on valuation of securities	19	368	0
Losses on redemption of securities	65	140	0
Losses on derivative financial instruments	8,898	16,588	80
Foreign exchange losses	–	2,058	–
Provision for allowance for possible loan losses	10	8	0
Depreciation of rental real estate and other assets	5,503	5,327	49
Other investment expenses	9,584	9,761	86
Investment losses on separate accounts	–	1,111	–
	34,559	42,703	312
Operating expenses	115,565	110,795	1,043
Other ordinary expenses	33,833	33,458	305
Total ordinary expenses	**569,347**	**595,321**	**5,142**
Ordinary profit	**34,950**	**31,040**	**315**
Extraordinary gains:			
Gains on disposal of fixed assets	146	90	1
Other extraordinary gains	129	24	1
	275	115	2
Extraordinary losses:			
Losses on disposal of fixed assets	1,484	1,373	13
Impairment losses	2,971	966	26
Provision for reserve for price fluctuation	2,450	2,340	22
Losses on reduction entry of real estate	5	–	0
Other extraordinary losses	1,694	48	15
	8,605	4,728	77
Surplus before income taxes	**26,620**	**26,427**	**240**

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Income taxes:			
Current	10,226	6,635	92
Deferred	(5,074)	(542)	(45)
Total income taxes	**5,152**	**6,093**	**46**
Net surplus	**21,467**	**20,333**	**193**
Net surplus attributable to non-controlling interests	**37**	**38**	**0**
Net surplus attributable to the Parent Company	**¥ 21,430**	**¥ 20,294**	**$ 193**

[Consolidated Statements of Comprehensive Income]

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Net surplus	**¥ 21,467**	**¥ 20,333**	**$ 193**
Other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities, net of tax	115,575	(1,408)	1,043
Remeasurements of defined benefit plans	465	176	4
Total other comprehensive income	**116,040**	**(1,232)**	**1,048**
Comprehensive income:			
Comprehensive income attributable to the Parent Company	137,471	19,062	1,241
Comprehensive income attributable to non-controlling interests	37	38	0
Total comprehensive income	**¥ 137,508**	**¥ 19,101**	**$ 1,242**

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, 2021	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 81,429	¥ 338,711
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(1,794)	(1,794)
Payment of interest on foundation funds				(4,081)	(4,081)
Net surplus attributable to the Parent Company				21,430	21,430
Reversal of land revaluation differences				171	171
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	15,725	15,725
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 97,154	¥ 354,436

Millions of Yen

For the year ended March 31, 2021	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	¥ 97,625	¥ (45,183)	¥ (1,814)	¥ 50,627	¥ 81	¥ 389,420
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(1,794)
Payment of interest on foundation funds						(4,081)
Net surplus attributable to the Parent Company						21,430
Reversal of land revaluation differences						171
Net changes, excluding foundation funds and others	115,575	(171)	465	115,869	(1)	115,868
Net changes in the fiscal year	115,575	(171)	465	115,869	(1)	131,593
Ending balance	¥ 213,201	¥ (45,354)	¥ (1,349)	¥ 166,497	¥ 79	¥ 521,014

Millions of Yen

For the year ended March 31, 2020	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	¥ 91,000	¥ 166,000	¥ 281	¥ 66,801	¥ 324,083
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(2,173)	(2,173)
Payment of interest on foundation funds				(4,116)	(4,116)
Net surplus attributable to the Parent Company				20,294	20,294
Reversal of land revaluation differences				622	622
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	14,627	14,627
Ending balance	¥ 91,000	¥ 166,000	¥ 281	¥ 81,429	¥ 338,711

Millions of Yen

For the year ended March 31, 2020	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance	¥ 99,034	¥ (44,561)	¥ (1,990)	¥ 52,482	¥ 83	¥ 376,650
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(2,173)
Payment of interest on foundation funds						(4,116)
Net surplus attributable to the Parent Company						20,294
Reversal of land revaluation differences						622
Net changes, excluding foundation funds and others	(1,408)	(622)	176	(1,854)	(2)	(1,857)
Net changes in the fiscal year	(1,408)	(622)	176	(1,854)	(2)	12,770
Ending balance	¥ 97,625	¥ (45,183)	¥ (1,814)	¥ 50,627	¥ 81	¥ 389,420

Millions of U.S. Dollars

For the year ended March 31, 2021	Foundation funds and others				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Consolidated surplus	Total foundation funds and others
Beginning balance	$ 821	$ 1,499	$ 2	$ 735	$ 3,059
Changes in the fiscal year:					
Additions to reserve for dividends to policyholders				(16)	(16)
Payment of interest on foundation funds				(36)	(36)
Net surplus attributable to the Parent Company				193	193
Reversal of land revaluation differences				1	1
Net changes, excluding foundation funds and others					
Net changes in the fiscal year	–	–	–	142	142
Ending balance	$ 821	$ 1,499	$ 2	$ 877	$ 3,201

Millions of U.S. Dollars

For the year ended March 31, 2021	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	$ 881	$ (408)	$ (16)	$ 457	$ 0	$ 3,517
Changes in the fiscal year:						
Additions to reserve for dividends to policyholders						(16)
Payment of interest on foundation funds						(36)
Net surplus attributable to the Parent Company						193
Reversal of land revaluation differences						1
Net changes, excluding foundation funds and others	1,043	(1)	4	1,046	(0)	1,046
Net changes in the fiscal year	1,043	(1)	4	1,046	(0)	1,188
Ending balance	$ 1,925	$ (409)	$ (12)	$ 1,503	$ 0	$ 4,706

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	2021		2020		2021	
I. Cash flows from operating activities						
Surplus before income taxes	¥	26,620	¥	26,427	$	240
Depreciation of rental real estate and other assets		5,503		5,327		49
Depreciation		11,905		11,586		107
Impairment losses		2,971		966		26
Increase (decrease) in reserve for outstanding claims		(806)		1,798		(7)
Increase (decrease) in policy reserves		(48,624)		(75,380)		(439)
Provision for interest on policyholders' dividend reserves		3		3		0
Increase (decrease) in allowance for possible loan losses		10		8		0
Increase (decrease) in net defined benefit liabilities		(1,677)		(1,106)		(15)
Increase (decrease) in reserve for price fluctuation		2,450		2,340		22
Interest, dividends and other income		(117,912)		(108,447)		(1,065)
(Gains) losses on securities		(14,976)		(19,473)		(135)
(Gains) losses on derivative financial instruments		8,898		16,588		80
Interest expenses		4,470		4,526		40
Foreign exchange (gains) losses, net		(387)		2,058		(3)
(Gains) losses on tangible fixed assets		952		1,053		8
(Increase) decrease in reinsurance receivables		(540)		(19)		(4)
(Increase) decrease in other assets except from investing and financing activities		(2,837)		(3,849)		(25)
Increase (decrease) in reinsurance payables		117		165		1
Increase (decrease) in other liabilities except from investing and financing activities		2,312		907		20
Others, net		(4,344)		5,549		(39)
Subtotal		(125,891)		(128,967)		(1,137)
Interest, dividends and other income received		124,006		114,322		1,120
Interest paid		(4,343)		(4,531)		(39)
Dividends to policyholders paid		(3,820)		(4,208)		(34)
Income taxes (paid) refunded		(9,286)		(1,387)		(83)
Net cash provided by (used in) operating activities		**(19,335)**		**(24,771)**		**(174)**
II. Cash flows from investing activities						
Purchases of monetary claims bought		(93)		(281)		(0)
Proceeds from sales and redemptions of monetary claims bought		1,899		2,373		17
Purchases of securities		(415,682)		(553,820)		(3,754)
Proceeds from sales and redemptions of securities		441,355		371,280		3,986
Disbursements for loans		(41,265)		(41,128)		(372)
Proceeds from collections of loans		115,364		87,509		1,042
Proceeds from derivative financial instruments		(47,257)		21,760		(426)
Increase (decrease) in payables under securities borrowing transactions		(884)		91,078		(7)
Others, net		(485)		–		(4)
①Total of investing activities		52,949		(21,228)		478
[I + ①]		33,614		(46,000)		303
Purchases of tangible fixed assets		(10,079)		(7,464)		(91)
Proceeds from sales of tangible fixed assets		1,501		1,814		13
Others, net		(9,608)		(6,575)		(86)
Net cash provided by (used in) investing activities		**34,763**		**(33,453)**		**314**
III. Cash flows from financing activities						
Redemption of debt borrowing		(10,000)		–		(90)
Proceeds from issuance of bonds		39,477		–		356
Payment of interest on foundation funds		(4,081)		(4,116)		(36)
Dividends paid to non-controlling interests		(38)		(41)		(0)
Others, net		(863)		(1,019)		(7)
Net cash provided by (used in) financing activities		**24,494**		**(5,177)**		**221**
IV. Net increase (decrease) in cash and cash equivalents		**39,922**		**(63,402)**		**360**
V. Cash and cash equivalents at the beginning of the year		**117,227**		**180,630**		**1,058**
VI. Cash and cash equivalents at the end of the year	¥	**157,149**	¥	**117,227**	$	**1,419**

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 ¥110.71 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2021.

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.

3. Principles of Consolidation

(1) Scope of consolidation

The consolidated subsidiaries as of March 31, 2021 are listed below:

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.
Asahi NewCo Preparatory Co., Ltd

Asahi NewCo Preparatory Co., Ltd., which was newly established by the Company in the fiscal year ended March 31, 2021 and renamed as Nanairo Life Insurance Co., Ltd. on April 1, 2021, was included in the scope of consolidation for the fiscal year ended March 31, 2021.

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

Info Techno Asahi Co., Ltd.
Asahi Life Asset Management Co., Ltd.
Asahi Natixis Investment Managers Co., Ltd.

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, 2021. As such non-consolidated subsidiaries are not considered to materially affect any reasonable determination as to the financial position and result of operation of the Company's group, these companies are excluded from the consolidation.

(2) Application of equity method

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

(3) Fiscal year-end of consolidated subsidiaries

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

(4) Amortization of goodwill

Goodwill is fully expensed as incurred.

II. Notes to 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 stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the 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, 2021 and 2020 were ¥28 million (US$0 million) and ¥34 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) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) are recorded in principle for insurance policies for which insurance premium has been received and the insurer's liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims is set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events has not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

(14) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are 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.

Regarding a part of policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Software

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

2. Accounting Standards Issued but Not Yet Effective

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

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

(i) Overview

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

(ii) Schedule date of application

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

(iii) Effects of application of the Accounting Standards and relevant implementation guidance

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

3. Financial Instruments

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, 2021 and 2020 were as follows:

Millions of Yen

As of March 31	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 44,149	¥ 44,149	¥ –
Call loans	113,000	113,000	–
Monetary claims bought	25,094	27,415	2,321
Trading securities	–	–	–
Held-to-maturity debt securities	24,125	26,446	2,321
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	969	969	–
Securities	4,577,687	4,830,694	253,006
Trading securities	26,307	26,307	–
Held-to-maturity debt securities	296,880	333,953	37,073
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933
Available-for-sale securities	2,215,438	2,215,438	–
Loans	303,451	311,163	7,712
Policy loans	35,182	35,182	–
Industrial and consumer loans	268,268	275,980	7,712
Total assets	5,063,382	5,326,422	263,040
Bonds payable	127,773	130,313	2,540
Payables under securities borrowing transactions	178,810	178,810	–
Loans payable	41,000	42,548	1,548
Total liabilities	347,584	351,673	4,088
Derivative financial instruments	(31,522)	(31,522)	–
Hedge accounting not applied	(1,875)	(1,875)	–
Hedge accounting applied	(29,646)	(29,646)	–

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

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

Millions of U.S. Dollars

As of March 31	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 398	$ 398	$ –
Call loans	1,020	1,020	–
Monetary claims bought	226	247	20
Trading securities	–	–	–
Held-to-maturity debt securities	217	238	20
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	8	8	–
Securities	41,348	43,633	2,285
Trading securities	237	237	–
Held-to-maturity debt securities	2,681	3,016	334
Policy-reserve-matching bonds	18,418	20,368	1,950
Available-for-sale securities	20,011	20,011	–
Loans	2,740	2,810	69
Policy loans	317	317	–
Industrial and consumer loans	2,423	2,492	69
Total assets	45,735	48,111	2,375
Bonds payable	1,154	1,177	22
Payables under securities borrowing transactions	1,615	1,615	–
Loans payable	370	384	13
Total liabilities	3,139	3,176	36
Derivative financial instruments	(284)	(284)	–
Hedge accounting not applied	(16)	(16)	–
Hedge accounting applied	(267)	(267)	–

* 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 ¥21,164 million (US$191 million) and ¥15,544 million as of March 31, 2021 and 2020, 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 value, etc. as of March 31, 2021 and 2020, respectively.

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥246,901 million (US$2,230 million) and ¥288,948 million (US$2,609 million) as of March 31, 2021 and ¥248,380 million and ¥288,820 million as of March 31, 2020, 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.

5. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥265,606 million (US$2,399 million) and ¥225,171 million as of March 31, 2021 and 2020, respectively.

6. 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 ¥677 million (US$6 million) and ¥735 million as of March 31, 2021 and 2020, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥2 million as of March 31, 2021 and 2020, respectively.

ii) Delinquent loans were ¥563 million (US$5 million) and ¥589 million as of March 31, 2021 and 2020, respectively.

iii) Delinquent loans three or more months past due were ¥94 million (US$0 million) and ¥122 million as of March 31, 2021 and 2020, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of March 31, 2021 and 2020, 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 ¥3 million as of March 31, 2021 and 2020, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥25 million (US$0 million) and ¥31 million as of March 31, 2021 and 2020, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥285,628 million (US$2,579 million) and ¥283,301 million as of March 31, 2021 and 2020, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,078 million (US$253 million) and ¥24,381 million as of March 31, 2021 and 2020, respectively. The amounts of separate account liabilities were the same as separate account assets.

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

There were no receivables from directors and audit board members as of March 31, 2021 and 2020, 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, 2021 and 2020, respectively.

10. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2021	2020	2021
Balance at the beginning of the fiscal year	¥ 32,073	¥ 34,104	$ 289
Transfer to reserve from surplus in the previous fiscal year	1,794	2,173	16
Dividends to policyholders paid out during the fiscal year	3,820	4,208	34
Increase in interest	3	131	0
Decrease in others	–	128	–
Balance at the end of the fiscal year	¥ 30,050	¥ 32,073	$ 271

11. Stocks of Unconsolidated Subsidiaries and affiliates

The amounts of stocks of unconsolidated subsidiaries and affiliates the Company held as of March 31, 2021 and 2020 were ¥7,878 million (US$71 million) and ¥2,205 million, respectively.

12. Pledged Assets

Assets pledged as collateral as of March 31, 2021 and 2020 were securities in the amount of ¥32,653 million (US$294 million) and ¥7,030 million, respectively.

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, 2021 and 2020 were ¥72,634 million (US$656 million) and ¥72,765 million, respectively. No assets were pledged as collateral as of March 31, 2021 and 2020.

14. Commitment Line

As of March 31, 2021 and 2020, there were unused commitment line agreements under which the Company is the lender of ¥10,240 million (US$92 million) and ¥9,418 million, respectively.

15. Subordinated Bonds Payable

As of March 31, 2021 and 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

16. Subordinated Loans Payable

As of March 31, 2021 and 2020, other liabilities included subordinated loans payable of ¥41,000 million (US$370 million) and ¥51,000 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, 2021 and 2020 were ¥8,016 million (US$72 million) and ¥8,609 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	2021	2020	2021
Deferred tax assets	¥ 66,824	¥ 69,173	$ 603
Valuation allowance for deferred tax assets	14,980	22,487	135
Subtotal	51,843	46,685	468
Deferred tax liabilities	74,045	37,822	668
Net deferred tax assets (liabilities)	¥ (22,202)	¥ 8,863	$ (200)

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2021	2020	2021
Deferred tax assets			
Contingency reserve	¥ 17,422	¥ 14,447	$ 157
Reserve for price fluctuation	12,744	12,061	115
Net defined benefit liabilities	9,183	9,762	82
Impairment losses	7,930	7,743	71
Net unrealized losses on available-for-sale securities	5,406	6,279	48
Losses on valuation of securities	4,110	9,642	37
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	72,520	36,552	655

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2021 and 2020, 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 year ended March 31	2021
Interest on foundation funds	(4.3)%
Change of valuation allowance for deferred tax assets	(2.9)%
Reserve for dividends to policyholders	(2.0)%

For the year ended March 31	2020
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

19. Accrued Retirement Benefits and Net Defined Benefit Liabilities

(1) Summary of retirement benefit plans

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

(2) Defined benefit plan

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

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2021	2020	2021
Retirement benefit obligations at the beginning of the fiscal year	¥ 42,065	¥ 44,293	$ 379
Service cost	1,905	1,852	17
Interest cost	416	439	3
Actuarial difference occurred during the fiscal year	866	(231)	7
Retirement benefit payments	(4,051)	(4,288)	(36)
Retirement benefit obligations at the end of the fiscal year	¥ 41,202	¥ 42,065	$ 372

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	2021	2020	2021
Pension plan assets at the beginning of the fiscal year	¥ 7,258	¥ 8,106	$ 65
Expected return on pension plan assets	70	76	0
Actuarial difference occurred during the fiscal year	1,405	(905)	12
Contributions by the employer	239	226	2
Retirement benefit payments	(191)	(246)	(1)
Pension plan assets at the end of the fiscal year	¥ 8,782	¥ 7,258	$ 79

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	2021	2020	2021
a. Funded plan retirement benefit obligation	¥ 41,202	¥ 42,065	$ 372
b. Pension plan assets	(8,782)	(7,258)	(79)
c. Net amount of liabilities and assets presented on the consolidated balance sheet	32,420	34,806	292
d. Net defined benefit liabilities	32,914	34,985	297
e. Net defined benefit assets	(494)	(178)	(4)
f. Net amount of liabilities and assets presented on the consolidated balance sheet	¥ 32,420	¥ 34,806	$ 292

iv) Breakdown of retirement benefit expenses

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Service cost	¥ 1,905	¥ 1,852	$ 17
Interest cost	416	439	3
Expected return on pension plan assets	(70)	(76)	(0)
Amortization of actuarial differences	111	909	1
Amortization of prior service cost	–	6	–
Retirement benefit expenses related to defined benefit plan	¥ 2,362	¥ 3,130	$ 21

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 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Amortization of actuarial differences	¥ 649	¥ 236	$ 5
Amortization of prior service cost	–	6	–
Total	¥ 649	¥ 243	$ 5

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 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Unrecognized actuarial differences	¥ 1,875	¥ 2,524	$ 16
Total	¥ 1,875	¥ 2,524	$ 16

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	2021	2020
Stocks	43%	36%
Bonds	15%	16%
Others	42%	48%
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	2021	2020
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.9%	0.9%
Defined benefit corporate pension plans	1.6%	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:

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Domestic bonds	¥ 9,357	¥ 21,832	$ 84
Domestic stocks and other securities	3,332	2,020	30
Foreign securities	2,559	1	23

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Domestic bonds	¥ 892	¥ 690	$ 8
Domestic stocks and other securities	1,893	2,120	17
Foreign securities	2,733	–	24

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

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Domestic stocks and other securities	¥ 17	¥ 368	$ 0
Foreign securities	1	–	0

Losses on trading securities were losses on sales of ¥485 million (US$4 million) for the fiscal year ended March 31, 2021.

Losses on derivative financial instruments included net valuation losses of ¥2,667 million (US$24 million) and losses of ¥1,456 million for the fiscal years ended March 31, 2021 and 2020, respectively.

2. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2021, 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, real estate not in use and real estate scheduled to be sold 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, real estate not in use and real estate scheduled to be sold 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

For the year ended March 31	Millions of Yen 2021	Millions of U.S. Dollars 2021
Real estate for rent:		
Land	¥ 721	$ 6
Building	156	1
Total real estate for rent (i)	877	7
Real estate not in use:		
Land	457	4
Building	141	1
Total real estate not in use (ii)	598	5
Real estate scheduled to be sold:		
Land	1,309	11
Building	185	1
Total real estate scheduled to be sold (iii)	1,494	13
Total:		
Land	2,488	22
Building	483	4
Total (i) + (ii) + (iii)	¥ 2,971	$ 26

(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 real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.4% for the fiscal year ended March 31, 2021. 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.

3. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million (US$14 million), which were included in other extraordinary losses.

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:

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Net unrealized gains on available-for-sale securities, net of tax			
Amount incurred during the fiscal year	¥ 153,034	¥ (65)	$ 1,382
Reclassification adjustments	(2,072)	1,253	(18)
Before tax adjustment	150,961	1,188	1,363
Tax effects	(35,385)	(2,596)	(319)
Net unrealized gains on available-for-sale securities, net of tax	115,575	(1,408)	1,043
Accumulated remeasurements of defined benefit plans			
Amount incurred during the fiscal year	538	(673)	4
Reclassification adjustments	111	916	1
Before tax adjustment	649	243	5
Tax effects	(184)	(67)	(1)
Accumulated remeasurements of defined benefit plans	465	176	4
Total other comprehensive income	¥ 116,040	¥ (1,232)	$ 1,048

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.

The consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

11. Non-consolidated Financial Statements

Non-consolidated Balance Sheets

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2021**	**2020**	**2021**
ASSETS:			
Cash and deposits:			
Cash	¥ 15	¥ 18	$ 0
Deposits	35,352	30,535	319
	35,368	30,554	319
Call loans	113,000	82,000	1,020
Monetary claims bought	25,094	26,915	226
Securities:			
National government bonds	1,692,106	1,728,003	15,284
Local government bonds	49,130	54,671	443
Corporate bonds	973,538	945,309	8,793
Domestic stocks	447,371	288,114	4,040
Foreign securities	1,368,844	1,294,012	12,364
Other securities	81,330	63,666	734
	4,612,320	4,373,776	41,661
Loans:			
Policy loans	35,182	40,553	317
Industrial and consumer loans	268,268	337,359	2,423
	303,451	377,913	2,740
Tangible fixed assets:			
Land	221,081	224,609	1,996
Buildings	150,533	152,646	1,359
Lease assets	1,459	1,963	13
Construction in progress	1,589	614	14
Other tangible fixed assets	3,186	2,887	28
	377,849	382,722	3,412
Intangible fixed assets:			
Software	17,722	19,463	160
Other intangible fixed assets	9,075	6,077	81
	26,797	25,541	242
Agency accounts receivable	14	11	0
Reinsurance receivables	987	446	8
Other assets:			
Accounts receivable	7,278	11,022	65
Prepaid expenses	4,027	3,619	36
Accrued income	20,230	20,367	182
Money on deposit	2,898	4,577	26
Derivative financial instruments	1,949	31,618	17
Cash collateral paid for financial instruments	6,202	6,570	56
Suspense payments	677	270	6
Other assets	1,427	2,890	12
	44,692	80,937	403
Prepaid pension cost	233	179	2
Deferred tax assets	–	8,044	–
Customers' liabilities under acceptances and guarantees	1	3	0
Allowance for possible loan losses	(406)	(391)	(3)
Total assets	**¥ 5,539,404**	**¥ 5,388,655**	**$ 50,035**

As of March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
LIABILITIES:			
Policy reserves and other reserves:			
Reserve for outstanding claims	¥ 28,572	¥ 29,378	$ 258
Policy reserves	4,419,372	4,467,997	39,918
Reserve for dividends to policyholders	30,050	32,073	271
	4,477,995	4,529,448	40,447
Reinsurance payables	680	563	6
Bonds payable	127,773	88,295	1,154
Other liabilities:			
Payables under securities borrowing transactions	178,810	179,695	1,615
Loans payable	41,000	51,000	370
Income taxes payable	5,042	4,121	45
Accounts payable	4,422	4,782	39
Accrued expenses	8,424	7,868	76
Deferred income	186	171	1
Deposits received	631	585	5
Guarantee deposits received	17,533	17,647	158
Derivative financial instruments	33,471	10,367	302
Cash collateral received for financial instruments	896	7,526	8
Lease obligations	1,459	1,963	13
Asset retirement obligations	851	263	7
Suspense receipts	87	206	0
	292,817	286,199	2,644
Reserve for employees' retirement benefits	30,856	32,533	278
Reserve for price fluctuation	45,680	43,230	412
Deferred tax liabilities	22,826	–	206
Deferred tax liabilities for land revaluation	16,268	16,838	146
Acceptances and guarantees	1	3	0
Total liabilities	**5,014,899**	**4,997,112**	**45,297**
NET ASSETS:			
Foundation funds	91,000	91,000	821
Reserve for redemption of foundation funds	166,000	166,000	1,499
Reserve for revaluation	281	281	2
Surplus:			
Reserve for future losses	328	310	2
Other surplus:			
Reserve for fund redemption	44,400	35,300	401
Equalized reserve for dividends to policyholders	7,091	7,318	64
Unappropriated surplus (loss)	47,558	38,890	429
Subtotal	99,050	81,509	894
	99,378	81,819	897
Total foundation funds and others	356,660	339,100	3,221
Net unrealized gains (losses) on available-for-sale securities, net of tax	213,200	97,625	1,925
Land revaluation differences	(45,354)	(45,183)	(409)
Total valuation and translation adjustments	167,845	52,442	1,516
Total net assets	**524,505**	**391,543**	**4,737**
Total liabilities and net assets	**¥ 5,539,404**	**¥ 5,388,655**	**$ 50,035**

Non-consolidated Statements of Income

Asahi Mutual Life Insurance Company

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2021	2020	2021
Ordinary income:			
Premium and other income:			
Insurance premiums	¥ 388,896	¥ 391,600	$ 3,512
Reinsurance revenue	2,514	2,038	22
	391,410	393,639	3,535
Investment income:			
Interest, dividends and other income:			
Interest and dividends on securities	95,849	85,179	865
Interest on loans	4,639	5,949	41
Rent revenue from real estate	16,543	16,606	149
Other interest and dividends	1,078	970	9
	118,111	108,705	1,066
Gains on sales of securities	15,249	23,852	137
Gains on redemption of securities	77	50	0
Foreign exchange gains	387	–	3
Other investment income	6,968	7,167	62
Investment gains on separate accounts	5,740	–	51
	146,534	139,776	1,323
Other ordinary income:			
Fund receipt from deposit of claims paid	8,927	10,355	80
Reversal of reserve for employees' retirement benefits	1,677	1,106	15
Reversal of reserve for outstanding claims	806	–	7
Reversal of policy reserves	48,624	75,380	439
Other ordinary income	2,732	1,836	24
	62,767	88,678	566
Total ordinary income	**600,713**	**622,094**	**5,426**
Ordinary expenses:			
Claims and other payments:			
Claims	112,015	114,654	1,011
Annuities	122,158	126,889	1,103
Benefits	68,241	71,469	616
Surrender benefits	77,538	88,017	700
Other payments	3,158	3,744	28
Reinsurance premiums	2,272	1,786	20
	385,384	406,561	3,481
Provision for policy reserves and other reserves:			
Provision for reserve for outstanding claims	–	1,798	–
Provision for interest on policyholders' dividend reserves	3	3	0
	3	1,801	0
Investment expenses:			
Interest expenses	4,470	4,526	40
Losses on trading securities	485	–	4
Losses on sales of securities	5,520	2,810	49
Losses on valuation of securities	19	368	0
Losses on redemption of securities	65	140	0
Losses on derivative financial instruments	8,898	16,588	80
Foreign exchange losses	–	2,057	–
Provision for allowance for possible loan losses	10	8	0
Depreciation of rental real estate and other assets	5,503	5,327	49
Other investment expenses	9,584	9,761	86
Investment losses on separate accounts	–	1,111	–
	34,559	42,702	312
Operating expenses	110,323	106,323	996
Other ordinary expenses:			
Claim deposit payments	10,491	11,510	94
Taxes	9,126	8,503	82
Depreciation	12,181	11,840	110
Other ordinary expenses	2,013	1,793	18
	33,812	33,647	305
Total ordinary expenses	**564,083**	**591,037**	**5,095**
Ordinary profit	**36,629**	**31,056**	**330**

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Extraordinary gains:			
Gains on disposal of fixed assets	146	90	1
Other extraordinary gains	129	24	1
	275	115	2
Extraordinary losses:			
Losses on disposal of fixed assets	1,481	1,372	13
Impairment losses	2,971	966	26
Provision for reserve for price fluctuation	2,450	2,340	22
Losses on reduction entry of real estate	5	–	0
Other extraordinary losses	1,694	48	15
	8,602	4,727	77
Surplus before income taxes	**28,302**	**26,444**	**255**
Income taxes:			
Current	10,122	6,537	91
Deferred	(5,084)	(505)	(45)
Total income taxes	**5,038**	**6,031**	**45**
Net surplus	**¥ 23,263**	**¥ 20,412**	**$ 210**

Non-consolidated Statements of Changes in Net Assets

Asahi Mutual Life Insurance Company

Millions of Yen

For the year ended March 31, 2021	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	**¥ 91,000**	**¥ 166,000**	**¥ 281**	**¥ 310**	**¥ 35,300**	**¥ 7,318**	**¥ 38,890**	**¥ 81,819**	**¥339,100**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(1,794)	(1,794)	(1,794)
Additions to reserve for future losses				18			(18)		
Payment of interest on foundation funds							(4,081)	(4,081)	(4,081)
Net surplus							23,263	23,263	23,263
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(227)	227		
Reversal of land revaluation differences							171	171	171
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**–**	**–**	**18**	**9,100**	**(227)**	**8,668**	**17,559**	**17,559**
Ending balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥ 328**	**¥ 44,400**	**¥ 7,091**	**¥ 47,558**	**¥ 99,378**	**¥356,660**

Millions of Yen

For the year ended March 31, 2021	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 97,625**	**¥ (45,183)**	**¥ 52,442**	**¥ 391,543**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(1,794)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,081)
Net surplus				23,263
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				171
Net changes, excluding foundation funds and others	115,574	(171)	115,403	115,403
Net changes in the fiscal year	**115,574**	**(171)**	**115,403**	**132,962**
Ending balance	**¥ 213,200**	**¥ (45,354)**	**¥ 167,845**	**¥ 524,505**

Millions of Yen

For the year ended March 31, 2020	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	**¥ 91,000**	**¥ 166,000**	**¥ 281**	**¥ 291**	**¥ 26,200**	**¥ 9,258**	**¥ 31,324**	**¥ 67,073**	**¥324,355**
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(2,173)	(2,173)	(2,173)
Additions to reserve for future losses				19			(19)		
Payment of interest on foundation funds							(4,116)	(4,116)	(4,116)
Net surplus							20,412	20,412	20,412
Additions to reserve for fund redemption					9,100		(9,100)		
Reversal of equalized reserve for dividends to policyholders						(1,939)	1,939		
Reversal of land revaluation differences							622	622	622
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	**–**	**–**	**–**	**19**	**9,100**	**(1,939)**	**7,566**	**14,745**	**14,745**
Ending balance	**¥ 91,000**	**¥166,000**	**¥ 281**	**¥ 310**	**¥ 35,300**	**¥ 7,318**	**¥ 38,890**	**¥ 81,819**	**¥339,100**

Millions of Yen

For the year ended March 31, 2020	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities, net of tax	Land revaluation differences	Total valuation and translation adjustments	
Beginning balance	**¥ 99,032**	**¥ (44,561)**	**¥ 54,471**	**¥ 378,826**
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(2,173)
Additions to reserve for future losses				
Payment of interest on foundation funds				(4,116)
Net surplus				20,412
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				622
Net changes, excluding foundation funds and others	(1,406)	(622)	(2,029)	(2,029)
Net changes in the fiscal year	**(1,406)**	**(622)**	**(2,029)**	**12,716**
Ending balance	**¥ 97,625**	**¥ (45,183)**	**¥ 52,442**	**¥ 391,543**

Millions of U.S. Dollars

For the year ended March 31, 2021	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	$ 821	$ 1,499	$ 2	$ 2	$ 318	$ 66	$ 351	$ 739	$ 3,062
Changes in the fiscal year:									
Additions to reserve for dividends to policyholders							(16)	(16)	(16)
Additions to reserve for future losses				0			(0)		
Payment of interest on foundation funds							(36)	(36)	(36)
Net surplus							210	210	210
Additions to reserve for fund redemption					82		(82)		
Reversal of equalized reserve for dividends to policyholders						(2)	2		
Reversal of land revaluation differences							1	1	1
Net changes, excluding foundation funds and others									
Net changes in the fiscal year	–	–	–	0	82	(2)	78	158	158
Ending balance	$ 821	$ 1,499	$ 2	$ 2	$ 401	$ 64	$ 429	$ 897	$ 3,221

Millions of U.S. Dollars

For the year ended March 31, 2021	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	$ 881	$ (408)	$ 473	$ 3,536
Changes in the fiscal year:				
Additions to reserve for dividends to policyholders				(16)
Additions to reserve for future losses				
Payment of interest on foundation funds				(36)
Net surplus				210
Additions to reserve for fund redemption				
Reversal of equalized reserve for dividends to policyholders				
Reversal of land revaluation differences				1
Net changes, excluding foundation funds and others	1,043	(1)	1,042	1,042
Net changes in the fiscal year	1,043	(1)	1,042	1,200
Ending balance	$ 1,925	$ (409)	$ 1,516	$ 4,737

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

Asahi Mutual Life Insurance Company

For the years ended March 31	Millions of Yen 2021	Millions of Yen 2020	Millions of U.S. Dollars 2021
Unappropriated surplus (loss)	**¥ 47,558**	**¥ 38,890**	**$ 429**
Reversal of Voluntary surplus reserves:	**108**	**227**	**0**
Reversal of equalized reserve for dividends to policyholders	108	227	0
Total	**47,667**	**39,117**	**430**
Appropriation of surplus (loss):	**15,361**	**14,993**	**138**
Reserve for dividends to policyholders	2,153	1,794	19
Net surplus (loss):	13,208	13,199	119
Reserve for future losses	19	18	0
Interest on foundation funds	4,089	4,081	36
Voluntary surplus reserves:	9,100	9,100	82
Reserve for fund redemption	9,100	9,100	82
Surplus (loss) carried forward	**¥ 32,305**	**¥ 24,123**	**$ 291**

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 ¥110.71 = US$1.00, the effective rate of exchange at the balance sheet date of March 31, 2021.

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 stock exchange-traded funds for which hedge accounting is not applied, foreign bond exchange-traded funds for which hedge accounting is not applied and foreign currency-denominated bonds for which hedge accounting is not applied categorized as available-for-sale securities with fair market value. Such securities are translated into Japanese yen at the average of the effective exchange rate during the final month of the 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, 2021 and 2020 were ¥28 million (US$0 million) and ¥34 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) Premium and other income (excluding reinsurance revenue)

Premium and other income (excluding reinsurance revenue) are recorded in principle for insurance policies for which insurance premium has been received and the insurer's liability under the insurance policies or insurance coverage period has commenced by the relevant amounts received.

Of insurance premiums, the portion corresponding to the period that has yet to pass as of the end of the fiscal year is set aside as policy reserves in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Enforcement Regulation of the Insurance Business Act.

(13) Claims and other payments (excluding reinsurance premiums)

Claims and other payments (excluding reinsurance premiums) are recorded for insurance policies for which amounts calculated under policy conditions have been paid in the occurrence of insured events under the policy conditions by the relevant amounts paid.

In accordance with Article 117 of the Insurance Business Act and Article 72 of the Enforcement Regulation of the Insurance Business Act, reserve for outstanding claims is set aside for claims, etc. which is not recorded as payment of claims, etc. but for which the Company has payment obligation or the occurrence of insured events has not been reported but the Company finds that insured events have already occurred, as of the end of the fiscal year.

(14) Policy reserves

Policy reserves are calculated as stated in accordance with the methods stated in the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) pursuant to Article 116, Paragraph 1 of the Insurance Business Act, for insurance policies under which the insurer's liability has started as of the end of the fiscal year, in preparation for the performance of future obligations under the insurance policies.

Of policy reserves, the premium reserves at the end of the fiscal year are 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.

Regarding a part of policy reserves, the chief actuary checks that policy reserves are appropriately accumulated in each fiscal year, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Enforcement Regulation of the Insurance Business Act.

Contingency reserves included in policy reserves are set aside in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Enforcement Regulation of the Insurance Business Act to cover risks that may accrue in the future in order to ensure the performance of future obligations under insurance policies.

(15) Software

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

2. Accounting Standards Issued but Not Yet Effective

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

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

i) Overview

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

ii) Schedule date of application

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

iii) Effects of application of the Accounting Standards and relevant implementation guidance

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

3. Financial Instruments

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, 2021 and 2020 were as follows:

Millions of Yen

As of March 31	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	¥ 35,368	¥ 35,368	¥ –
Call loans	113,000	113,000	–
Monetary claims bought	25,094	27,415	2,321
Trading securities	–	–	–
Held-to-maturity debt securities	24,125	26,446	2,321
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	969	969	–
Securities	4,577,667	4,830,674	253,006
Trading securities	26,307	26,307	–
Held-to-maturity debt securities	296,880	333,953	37,073
Policy-reserve-matching bonds	2,039,060	2,254,994	215,933
Available-for-sale securities	2,215,419	2,215,419	–
Loans	303,451	311,163	7,712
Policy loans	35,182	35,182	–
Industrial and consumer loans	268,268	275,980	7,712
Total assets	5,054,581	5,317,621	263,040
Bonds payable	127,773	130,313	2,540
Payables under securities borrowing transactions	178,810	178,810	–
Loans payable	41,000	42,548	1,548
Total liabilities	347,584	351,673	4,088
Derivative financial instruments	(31,522)	(31,522)	–
Hedge accounting not applied	(1,875)	(1,875)	–
Hedge accounting applied	(29,646)	(29,646)	–

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

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

Millions of U.S. Dollars

As of March 31	2021		
	Balance Sheet Amount	Fair Value	Difference
Cash and deposits	$ 319	$ 319	$ –
Call loans	1,020	1,020	–
Monetary claims bought	226	247	20
Trading securities	–	–	–
Held-to-maturity debt securities	217	238	20
Policy-reserve-matching bonds	–	–	–
Available-for-sale securities	8	8	–
Securities	41,348	43,633	2,285
Trading securities	237	237	–
Held-to-maturity debt securities	2,681	3,016	334
Policy-reserve-matching bonds	18,418	20,368	1,950
Available-for-sale securities	20,011	20,011	–
Loans	2,740	2,810	69
Policy loans	317	317	–
Industrial and consumer loans	2,423	2,492	69
Total assets	45,656	48,031	2,375
Bonds payable	1,154	1,177	22
Payables under securities borrowing transactions	1,615	1,615	–
Loans payable	370	384	13
Total liabilities	3,139	3,176	36
Derivative financial instruments	(284)	(284)	–
Hedge accounting not applied	(16)	(16)	–
Hedge accounting applied	(267)	(267)	–

* 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 ¥34,653 million (US$313 million) and ¥20,034 million as of March 31, 2021 and 2020, 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 value, etc. as of March 31, 2021 and 2020, respectively.

(4) Payables under securities borrowing transactions

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

(5) Derivative financial instruments

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

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

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

4. Investments and Rental Properties

The Company holds investment and rental properties such as office buildings in Tokyo and other areas. The carrying amounts and the fair values of investment and rental properties were ¥247,811 million (US$2,238 million) and ¥289,679 million (US$2,616 million) as of March 31, 2021 and ¥249,504 million and ¥289,781 million as of March 31, 2020, 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.

5. Securities Lent under Lending Agreements

The amounts of securities lent under lending agreements were ¥265,606 million (US$2,399 million) and ¥225,171 million as of March 31, 2021 and 2020, respectively.

6. 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 ¥677 million (US$6 million) and ¥735 million as of March 31, 2021 and 2020, respectively.

i) Loans to bankrupt borrowers were ¥0 million (US$0 million) and ¥2 million as of March 31, 2021 and 2020, respectively.

ii) Delinquent loans were ¥563 million (US$5 million) and ¥589 million as of March 31, 2021 and 2020, respectively.

iii) Delinquent loans three or more months past due were ¥94 million (US$0 million) and ¥122 million as of March 31, 2021 and 2020, respectively.

iv) Restructured loans were ¥20 million (US$0 million) and ¥20 million as of March 31, 2021 and 2020, 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 ¥3 million as of March 31, 2021 and 2020, respectively.

In addition, the direct write-offs related to loans decreased the amounts of delinquent loans described above by ¥25 million (US$0 million) and ¥31 million as of March 31, 2021 and 2020, respectively.

7. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets totaled ¥285,435 million (US$2,578 million) and ¥283,126 million as of March 31, 2021 and 2020, respectively.

8. Separate Accounts

Total assets in separate accounts provided for in Article 118 of the Insurance Business Act were ¥28,078 million (US$253 million) and ¥24,381 million as of March 31, 2021 and 2020, respectively. The amounts of separate account liabilities were the same as separate account assets.

9. Receivables from/Payables to Subsidiaries

The total amounts of receivables from/payables to subsidiaries were ¥430 million (US$3 million) and ¥2,104 million (US$19 million) as of March 31, 2021 and ¥322 million and ¥1,712 million as of March 31, 2020, respectively.

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

There were no receivables from directors and audit board members as of March 31, 2021 and 2020, 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, 2021 and 2020, respectively.

11. Deferred Taxes

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2021	2020	2021
Deferred tax assets	¥ 65,571	¥ 68,319	$ 592
Valuation allowance for deferred tax assets	14,467	22,481	130
Subtotal	51,104	45,838	461
Deferred tax liabilities	73,930	37,794	667
Net deferred tax assets (liabilities)	¥ (22,826)	¥ 8,044	$ (206)

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2021	2020	2021
Deferred tax assets			
Contingency reserve	¥ 17,422	¥ 14,447	$ 157
Reserve for price fluctuation	12,744	12,061	115
Reserve for employees' retirement benefits	8,608	9,076	77
Impairment losses	7,930	7,743	71
Net unrealized losses on available-for-sale securities	5,406	6,279	48
Losses on valuation of securities	4,106	9,639	37
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	72,520	36,552	655

(2) The statutory tax rates were 27.9% and 27.9% for the fiscal years ended March 31, 2021 and 2020, 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 year ended March 31	2021
Change of valuation allowance for deferred tax assets	(4.5)%
Interest on foundation funds	(4.0)%
Reserve for dividends to policyholders	(1.9)%

For the year ended March 31	2020
Interest on foundation funds	(4.3)%
Reserve for dividends to policyholders	(1.9)%

12. Reserve for Dividends to Policyholders

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2021	2020	2021
Balance at the beginning of the fiscal year	¥ 32,073	¥ 34,104	$ 289
Transfer to reserve from surplus in the previous fiscal year	1,794	2,173	16
Dividends to policyholders paid out during the fiscal year	3,820	4,208	34
Increase in interest	3	131	0
Decrease in others	–	128	–
Balance at the end of the fiscal year	¥ 30,050	¥ 32,073	$ 271

13. Stocks of Subsidiaries and Affiliates

The amounts of stocks of subsidiaries and affiliates the Company held as of March 31, 2021 and 2020 were ¥21,367 million (US$193 million) and ¥6,694 million, respectively.

14. Pledged Assets

Assets pledged as collateral as of March 31, 2021 and 2020 were securities in the amount of ¥32,653 million (US$294 million) and ¥7,030 million, respectively.

15. Policy Reserves for the Reinsurance Contracts

Reserve for outstanding claims for the reinsurance contracts provided in accordance with Article 73, Paragraph 3 of the Enforcement Regulation of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Enforcement Regulation of the Insurance Business Act (hereinafter “reserve for outstanding claims for ceded reinsurance”) were ¥6 million (US$0 million) and ¥6 million as of March 31, 2021 and 2020, respectively.

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 ¥359 million (US$3 million) and ¥366 million as of March 31, 2021 and 2020, respectively.

16. 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 ¥213,482 million (US$1,928 million) and ¥97,907 million as of March 31, 2021 and 2020, respectively.

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, 2021 and

2020 were ¥72,634 million (US$656 million) and ¥72,765 million, respectively. No assets were pledged as collateral as of March 31, 2021 and 2020.

18. Commitment Line

As of March 31, 2021 and 2020, there were unused commitment line agreements under which the Company is the lender of ¥10,240 million (US$92 million) and ¥9,418 million, respectively.

19. Subordinated Bonds Payable

As of March 31, 2021 and 2020, bonds payable are subordinated bonds payable, for which the repayments are subordinated to other obligations.

20. Subordinated Loans Payable

As of March 31, 2021 and 2020, loans payable are subordinated loans payable, for which the repayments are subordinated to other obligations.

21. Contributions to Policyholders Protection Corporation

The estimated future contributions to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2021 and 2020 were ¥8,016 million (US$72 million) and ¥8,609 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	2021	2020	2021
Retirement benefit obligations at the beginning of the fiscal year	¥ 41,291	¥ 43,586	$ 372
Service cost	1,829	1,779	16
Interest cost	412	435	3
Actuarial difference occurred during the fiscal year	866	(235)	7
Retirement benefit payments	(4,035)	(4,275)	(36)
Retirement benefit obligations at the end of the fiscal year	¥ 40,365	¥ 41,291	$ 364

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	2021	2020	2021
Pension plan assets at the beginning of the fiscal year	¥ 6,507	¥ 7,407	$ 58
Expected return on pension plan assets	55	63	0
Actuarial difference occurred during the fiscal year	1,371	(877)	12
Contributions by the employer	151	148	1
Retirement benefit payments	(174)	(233)	(1)
Pension plan assets at the end of the fiscal year	¥ 7,912	¥ 6,507	$ 71

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	2021	2020	2021
a. Funded plan retirement benefit obligation	¥ 40,365	¥ 41,291	$ 364
b. Pension plan assets	(7,912)	(6,507)	(71)
c. a + b	32,452	34,783	293
d. Unrecognized actuarial differences	(1,829)	(2,429)	(16)
e. Net amount of liabilities and assets presented on the non-consolidated balance sheet	30,623	32,353	276
f. Reserve for employees' retirement benefits	30,856	32,533	278
g. Prepaid pension cost	(233)	(179)	(2)
h. Net amount of liabilities and assets presented on the non-consolidated balance sheet	¥ 30,623	¥ 32,353	$ 276

iv) Breakdown of retirement benefit expenses

	Millions of Yen		Millions of U.S. Dollars
For the years ended March 31	2021	2020	2021
Service cost	¥ 1,829	¥ 1,779	$ 16
Interest cost	412	435	3
Expected return on pension plan assets	(55)	(63)	(0)
Amortization of actuarial differences	95	896	0
Retirement benefit expenses related to defined benefit plan	¥ 2,281	¥ 3,049	$ 20

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	2021	2020
Stocks	45%	38%
Bonds	9%	9%
Others	46%	53%
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	2021	2020
Discount rate	1.0%	1.0%
Expected long-term rate of return on pension plan assets	0.9%	0.9%
Defined benefit corporate pension plans	1.6%	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 ¥1,067 million (US$9 million) and ¥9,020 million (US$81 million) for the fiscal year ended March 31, 2021 and ¥381 million and ¥9,483 million for the fiscal year ended March 31, 2020, 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	2021	2020	2021
Domestic bonds	¥ 9,357	¥ 21,832	$ 84
Domestic stocks and other securities	3,331	2,018	30
Foreign securities	2,559	1	23

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	2021	2020	2021
Domestic bonds	¥ 892	¥ 690	$ 8
Domestic stocks and other securities	1,893	2,120	17
Foreign securities	2,733	–	24

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	2021	2020	2021
Domestic stocks and other securities	¥ 17	¥ 368	$ 0
Foreign securities	1	–	0

Losses on trading securities were losses on sales of ¥485 million (US$4 million) for the fiscal year ended March 31, 2021.

Losses on derivative financial instruments included net valuation losses of ¥2,667 million (US$24 million) and losses of ¥1,456 million for the fiscal years ended March 31, 2021 and 2020, respectively.

3. Policy Reserves for the Reinsurance Contracts

Provision for reserve for outstanding claims for ceded reinsurance, which was added in calculating reversal of reserve for outstanding claims for the fiscal year ended March 31, 2021 was ¥0 million (US$0 million).

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

Reversal of policy reserves for ceded reinsurance, which was deducted in calculating reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥6 million (US$0 million).

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

4. Impairment Losses of Fixed Assets

For the fiscal year ended March 31, 2021, 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, real estate not in use and real estate scheduled to be sold 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, real estate not in use and real estate scheduled to be sold 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 year ended March 31	2021	2021
Real estate for rent:		
Land	¥ 721	$ 6
Building	156	1
Total real estate for rent (i)	877	7
Real estate not in use:		
Land	457	4
Building	141	1
Total real estate not in use (ii)	598	5
Real estate scheduled to be sold:		
Land	1,309	11
Building	185	1
Total real estate scheduled to be sold (iii)	1,494	13
Total:		
Land	2,488	22
Building	483	4
Total (i) + (ii) + (iii)	¥ 2,971	$ 26

(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 real estate not in use and real estate scheduled to be sold are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 3.4% for the fiscal year ended March 31, 2021. 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.

5. Extraordinary Losses

The expenses related to salary guarantees for sales representatives and others as countermeasures to prevent the spread of COVID-19 for the fiscal year ended March 31, 2021 were ¥1,572 million (US$14 million), which were included in other extraordinary losses.

The non-consolidated financial statements in this annual report have been audited by Ernst & Young ShinNihon LLC, an independent certified public accountant.

12. Company Overview (as of March 31, 2021)

Tokyo Head Office

Tama Head Office

Company Name:	Asahi Mutual Life Insurance Company
Founded:	March 1, 1888
Total Assets:	5.5394 trillion yen
Number of Offices:	58 branches; 575 sales offices (as of April 1, 2021)
Number of Employees:	18,049 (staff: 4,047; sales representatives: 14,002)
Location of Tokyo Head Office:	6-1, Yotsuya 1-chome, Shinjuku-ku, Tokyo 160-8570, Japan Tel: 81-3-4214-3111