
Financial Results for the Three Months Ended June 30, 2018

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the Three Months ended June 30, 2018.

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Note:

This document is a translation from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of June 30, 2018
ASSETS:		
Cash and deposits	646,020	885,190
Call loans	90,000	90,000
Monetary claims bought	214,730	213,424
Money held in trust	13,076	16,269
Securities	33,128,510	33,801,993
Loans	5,276,491	5,185,006
Tangible fixed assets	915,808	910,541
Intangible fixed assets	485,067	455,063
Due from agents	1,569	1,013
Reinsurance receivables	121,167	158,838
Other assets	518,444	512,361
Net defined benefit assets	113,534	114,562
Deferred tax assets	2,375	2,351
Customers' liabilities under acceptances and guarantees	21,727	21,848
Allowance for possible loan losses	(5,100)	(5,440)
Total assets	41,543,423	42,363,024

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31, 2018	As of June 30, 2018
LIABILITIES:		
Policy reserves and other reserves	34,871,021	34,956,304
Reserve for outstanding claims	735,955	692,294
Policy reserves	33,901,297	33,911,075
Policyholders' dividend reserves	233,768	352,934
Due to agents	2,931	2,931
Reinsurance payables	1,199	927
Bonds payable	482,356	588,003
Other liabilities	891,457	1,516,767
Net defined benefit liabilities	6,328	5,538
Reserve for contingent liabilities	1	1
Reserve for price fluctuation	685,414	708,848
Deferred tax liabilities	377,710	424,470
Deferred tax liabilities for land revaluation	79,522	79,515
Acceptances and guarantees	21,727	21,848
Total liabilities	37,419,670	38,305,157
NET ASSETS:		
Foundation funds	260,000	260,000
Reserve for redemption of foundation funds	620,000	620,000
Reserve for revaluation	452	452
Surplus	504,951	362,847
Total funds, reserve and surplus	1,385,404	1,243,299
Net unrealized gains on available-for-sale securities	2,583,926	2,703,932
Deferred unrealized gains on derivatives under hedge accounting	35,881	36,491
Land revaluation differences	118,189	118,273
Foreign currency translation adjustments	(27,485)	(68,049)
Remeasurements of defined benefit plans	23,861	23,105
Total accumulated other comprehensive income	2,734,374	2,813,754
Non-controlling interests	3,974	812
Total net assets	4,123,752	4,057,867
Total liabilities and net assets	41,543,423	42,363,024

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30	
	2017	2018
ORDINARY INCOME:	967,802	1,052,271
Insurance premiums and other	716,470	778,594
Investment income	216,021	237,972
Interest, dividends and other income	181,340	202,146
Gains on money held in trust	0	62
Gains on sales of securities	1,274	9,794
Investment gains on separate accounts	17,546	4,273
Other ordinary income	35,310	35,704
ORDINARY EXPENSES:	911,179	976,588
Benefits and other payments	648,019	635,967
Claims paid	225,079	203,136
Annuity payments	164,473	150,546
Benefit payments	138,498	143,698
Surrender benefits	97,549	110,404
Provision for policy reserves and other reserves	52,651	111,172
Provision for policy reserves	52,623	111,147
Provision for interest on policyholders' dividend reserves	27	25
Investment expenses	51,881	69,428
Interest expenses	8,164	5,930
Losses on sales of securities	7,301	15,469
Losses on valuation of securities	1,055	43
Operating expenses	112,659	113,558
Other ordinary expenses	45,966	46,461
Ordinary profit (loss)	56,623	75,683
Extraordinary gains	0	12
Gains on disposals of fixed assets	0	11
Reversal for reserve for contingent liabilities	—	0
Extraordinary losses	17,084	24,640
Losses on disposals of fixed assets	218	227
Impairment losses	80	712
Provision for reserve for contingent liabilities	—	0
Provision for reserve for price fluctuation	16,384	23,454
Contributions for promotion of social welfare project	400	246
Surplus before income taxes and non-controlling interests	39,539	51,054
Income taxes	3,781	6,241
Current	2,488	4,303
Deferred	1,292	1,938
Net surplus	35,758	44,812
Net surplus attributable to non-controlling interests	23	1,261
Net surplus attributable to the Parent Company	35,734	43,551

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months ended June 30	
	2017	2018
Net surplus	35,758	44,812
Other comprehensive income (loss)	47,807	79,310
Net unrealized gains (losses) on available-for-sale securities	69,191	120,386
Deferred unrealized gains (losses) on derivatives under hedge accounting	(979)	610
Foreign currency translation adjustments	(22,846)	(36,255)
Remeasurements of defined benefit plans	1,556	(751)
Share of other comprehensive income (loss) of associates accounted for under the equity method	884	(4,678)
Comprehensive income (loss)	83,565	124,123
Comprehensive income (loss) attributable to the Parent Company	83,543	122,847
Comprehensive income (loss) attributable to non-controlling interests	22	1,275

4. Notes to the Unaudited Consolidated Financial Statements

Notes to the Unaudited Consolidated Balance Sheet as of June 30, 2018

1. Specific accounting treatment for the preparation of the quarterly financial statements
 - (1) The proposed appropriation of surplus of the Company for the fiscal year ended March 31, 2018 approved at the annual meeting of the representatives of policyholders held on July 3, 2018 is reflected in the consolidated balance sheet as of June 30, 2018.
 - (2) Income taxes of the Company are calculated by applying a reasonably estimated effective tax rate for the full fiscal year to surplus before income taxes and non-controlling interests for the three months ended June 30, 2018. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the three months ended June 30, 2018, after taking into account the effect of deferred tax accounting.

Therefore, income taxes-deferred of the Company for the three months ended June 30, 2018 are included in the income taxes-current in the consolidated statements of income.

2. Policy reserves

The policy reserves which are additionally set aside pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act" include the following:

- the policy reserves for the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996. The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts;
- the policy reserves for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995; and
- the policy reserves for single premium individual annuity contracts concluded on or after April 2, 1998.

Policy reserves of certain overseas consolidated subsidiaries are calculated based on each country's accounting standard, such as U.S. GAAP.

3. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the three months ended June 30, 2018 were as follows:

	Millions of Yen
Balance at the beginning of the period	¥ 233,768
Transfer from surplus in the previous fiscal year	185,731
Dividend payments to policyholders during the period	(66,601)
Interest accrued during the period	35
Balance at the end of the period	¥ 352,934

4. Foundation Funds

In accordance with changes in the Articles of Incorporation approved at the annual meeting of the representatives of policyholders held on July 3, 2018, the Company will offer foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the "Insurance Business Act".

5. Reserve for Redemption of Foundation Funds

The Company redeemed foundation funds on August 3, 2018 and also established for reserve for redemption of foundation funds pursuant to Article 56 of the “Insurance Business Act” in the amount of ¥50,000 million as of June 30, 2018.

6. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥2,757,474 million as of June 30, 2018.

7. Securities sold under repurchase agreements

Securities sold under repurchase agreements amounted to ¥14,899 million as of June 30, 2018.

8. Subordinated Bonds

As of June 30, 2018, bonds payable in liabilities included subordinated bonds and foreign currency-denominated subordinated bonds of ¥560,735 million, and the repayments of which are subordinated to other obligations.

Notes to the Unaudited Consolidated Statement of Income for the Three Months Ended June 30, 2018

1. Impairment of Fixed Assets

The details of the impairment losses on fixed assets are as follows:

(1) Method for grouping the assets

The Company and certain consolidated subsidiaries group all the fixed assets held and utilized mainly for the insurance business as one asset group for the impairment test.

For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized

For the three months ended June 30, 2018, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the consolidated statement of income.

(3) Details of fixed assets resulting in impairment losses

For the three months ended June 30, 2018

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	2	524	187	712
Total	2	¥ 524	¥ 187	¥ 712

(4) Calculation method of recoverable amounts

The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 1.90% for the three months ended June 30, 2018. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

2. Depreciation of Fixed Assets and Amortization of Goodwill

The total amount of depreciation of tangible fixed assets and amortization of goodwill for the three months ended June 30, 2018 were ¥13,890 million and ¥1,853 million respectively.