
Financial Results for the Nine Months Ended December 31, 2018

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the Nine Months ended December 31, 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 December 31, 2018
ASSETS:		
Cash and deposits	646,020	1,117,428
Call loans	90,000	90,000
Monetary claims bought	214,730	215,513
Money held in trust	13,076	18,916
Securities	33,128,510	33,418,906
Loans	5,276,491	5,122,047
Tangible fixed assets	915,808	909,736
Intangible fixed assets	485,067	476,435
Due from agents	1,569	1,155
Reinsurance receivables	121,167	167,874
Other assets	518,444	489,743
Net defined benefit assets	113,534	123,040
Deferred tax assets	2,375	2,400
Customers' liabilities under acceptances and guarantees	21,727	22,563
Allowance for possible loan losses	(5,100)	(5,365)
Total assets	41,543,423	42,170,397

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31, 2018	As of December 31, 2018
LIABILITIES:		
Policy reserves and other reserves	34,871,021	35,382,813
Reserve for outstanding claims	735,955	732,847
Policy reserves	33,901,297	34,357,919
Policyholders' dividend reserves	233,768	292,045
Due to agents	2,931	2,189
Reinsurance payables	1,199	811
Bonds payable	482,356	589,798
Other liabilities	891,457	1,286,275
Net defined benefit liabilities	6,328	7,777
Reserve for contingent liabilities	1	1
Reserve for price fluctuation	685,414	791,641
Deferred tax liabilities	377,710	247,525
Deferred tax liabilities for land revaluation	79,522	79,482
Acceptances and guarantees	21,727	22,563
Total liabilities	37,419,670	38,410,879
NET ASSETS:		
Foundation funds	260,000	260,000
Reserve for redemption of foundation funds	620,000	670,000
Reserve for revaluation	452	452
Surplus	504,951	434,755
Total funds, reserve and surplus	1,385,404	1,365,207
Net unrealized gains on available-for-sale securities	2,583,926	2,243,168
Deferred unrealized gains on derivatives under hedge accounting	35,881	38,054
Land revaluation differences	118,189	118,186
Foreign currency translation adjustments	(27,485)	(27,041)
Remeasurements of defined benefit plans	23,861	21,254
Total accumulated other comprehensive income	2,734,374	2,393,622
Non-controlling interests	3,974	687
Total net assets	4,123,752	3,759,517
Total liabilities and net assets	41,543,423	42,170,397

2. Unaudited Consolidated Statements of Income

	(Millions of Yen)	
	Nine months ended December 31	
	2017	2018
ORDINARY INCOME:	3,016,808	3,130,056
Insurance premiums and other	2,225,065	2,306,308
Investment income	697,973	728,690
Interest, dividends and other income	585,385	633,726
Gains on money held in trust	20	—
Gains on sales of securities	6,573	15,100
Investment gains on separate accounts	60,077	—
Other ordinary income	93,769	95,058
ORDINARY EXPENSES:	2,768,456	2,832,307
Benefits and other payments	1,801,551	1,796,647
Claims paid	568,442	539,017
Annuity payments	486,945	460,788
Benefit payments	374,857	389,214
Surrender benefits	308,799	340,509
Provision for policy reserves and other reserves	351,571	333,969
Provision for reserve for outstanding claims	6,611	—
Provision for policy reserves	344,879	333,895
Provision for interest on policyholders' dividend reserves	80	74
Investment expenses	135,427	224,976
Interest expenses	24,556	25,431
Losses on money held in trust	—	199
Losses on sales of securities	14,645	20,236
Losses on valuation of securities	347	10,321
Investment losses on separate accounts	—	30,540
Operating expenses	348,045	349,223
Other ordinary expenses	131,860	127,491
Ordinary profit	248,351	297,748
Extraordinary gains	53	183
Gains on disposals of fixed assets	53	183
Extraordinary losses	83,250	108,805
Losses on disposals of fixed assets	992	932
Impairment losses	782	1,138
Provision for reserve for contingent liabilities	0	0
Provision for reserve for price fluctuation	80,957	106,224
Contributions for promotion of social welfare project	507	503
Other extraordinary losses	9	6
Surplus before income taxes and non-controlling interests	165,154	189,126
Income taxes	15,474	22,251
Current	18,616	19,546
Deferred	(3,142)	2,704
Net surplus	149,680	166,875
Net surplus attributable to non-controlling interests	297	1,389
Net surplus attributable to the Parent Company	149,383	165,486

3. Unaudited Consolidated Statements of Comprehensive Income

	(Millions of Yen)	
	Nine months ended December 31	
	2017	2018
Net surplus	149,680	166,875
Other comprehensive income (loss)	498,572	(340,734)
Net unrealized gains (losses) on available-for-sale securities	511,074	(340,640)
Deferred unrealized gains (losses) on derivatives under hedge accounting	(5,994)	2,172
Foreign currency translation adjustments	(19,984)	3,018
Remeasurements of defined benefit plans	4,667	(2,603)
Share of other comprehensive income (loss) of associates accounted for under the equity method	8,808	(2,681)
Comprehensive income (loss)	648,252	(173,858)
Comprehensive income (loss) attributable to the Parent Company	647,952	(175,262)
Comprehensive income (loss) attributable to non-controlling interests	300	1,404

4. Notes to the Unaudited Consolidated Financial Statements

Notes to the Unaudited Consolidated Balance Sheets as of December 31, 2018

1. Specific accounting treatment for the preparation of the quarterly financial statements

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 nine months ended December 31, 2018. The effective tax rate is determined by estimating the effective tax rate for the full fiscal year, which includes the nine months ended December 31, 2018, after taking into account the effect of deferred tax accounting.

Therefore, income taxes-deferred of the Company for the nine months ended December 31, 2018 are included in the income taxes-current in the consolidated statements of income.

2. Policy reserves

The policy reserves of the Company 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 set aside in the year ended March 31, 2015 for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995; and
- the policy reserves set aside in the year ended March 31, 2018 for single premium individual annuity contracts concluded on or after April 2, 1998.

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

3. Policyholders’ Dividend Reserves

Changes in policyholders’ dividend reserves for the nine months ended December 31, 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	(127,557)
Interest accrued during the period	103
Balance at the end of the period	¥292,045

4. Foundation Funds

The Company offered foundation funds in the amount of ¥50,000 million pursuant to Article 60 of the “Insurance Business Act” in the nine months ended December 31, 2018.

5. Reserve for Redemption of Foundation Funds

The Company redeemed foundation funds 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 in the nine months ended December 31, 2018.

6. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥2,737,458 million as of December 31, 2018.

7. Securities sold under repurchase agreements

Securities sold under repurchase agreements amounted to ¥62,420 million as of December 31, 2018.

8. Subordinated Bonds

As of December 31, 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 Statements of Income for the Nine Months Ended December 31, 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 nine months ended December 31, 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 statements of income.

(3) Details of fixed assets resulting in impairment losses

For the nine months ended December 31, 2018

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	1	¥ —	¥ 230	¥ 230
Idle assets	5	659	248	907
Total	6	¥659	¥479	¥1,138

(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 nine months ended December 31, 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 nine months ended December 31, 2018 were ¥41,312 million and ¥5,943 million, respectively.