
Financial Results for the Three Months Ended June 30, 2020

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the Three Months ended June 30, 2020.

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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, 2020	As of June 30, 2020
ASSETS:		
Cash and deposits	1,246,447	1,075,862
Call loans	90,000	90,000
Monetary claims bought	204,335	234,984
Money held in trust	15,166	30,755
Securities	34,023,049	34,815,372
Loans	4,913,456	4,926,700
Tangible fixed assets	905,204	901,656
Intangible fixed assets	442,229	433,098
Due from agents	1,612	999
Reinsurance receivables	161,038	158,026
Other assets	529,429	463,463
Net defined benefit assets	66,029	65,598
Deferred tax assets	2,762	2,859
Customers' liabilities under acceptances and guarantees	19,888	21,944
Allowance for possible loan losses	(6,754)	(6,525)
Total assets	42,613,896	43,214,798

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31, 2020	As of June 30, 2020
LIABILITIES:		
Policy reserves and other reserves	35,817,626	35,820,122
Reserve for outstanding claims	723,195	716,373
Policy reserves	34,848,442	34,754,944
Policyholders' dividend reserves	245,988	348,804
Due to agents	3,707	4,049
Reinsurance payables	964	1,054
Bonds payable	668,563	668,336
Other liabilities	1,584,263	1,803,084
Net defined benefit liabilities	8,229	8,222
Reserve for contingent liabilities	1	1
Reserve for price fluctuation	833,615	837,773
Deferred tax liabilities	56,462	203,077
Deferred tax liabilities for land revaluation	79,210	79,037
Acceptances and guarantees	19,888	21,944
Total liabilities	39,072,534	39,446,702
NET ASSETS:		
Foundation funds	250,000	250,000
Reserve for redemption of foundation funds	730,000	730,000
Reserve for revaluation	452	452
Surplus	475,912	359,405
Total funds, reserve and surplus	1,456,365	1,339,858
Net unrealized gains on available-for-sale securities	1,993,002	2,355,505
Deferred unrealized gains on derivatives under hedge accounting	45,187	43,011
Land revaluation differences	118,421	118,255
Foreign currency translation adjustments	(49,497)	(66,303)
Remeasurements of defined benefit plans	(22,818)	(22,866)
Total accumulated other comprehensive income	2,084,295	2,427,603
Non-controlling interests	700	633
Total net assets	3,541,362	3,768,095
Total liabilities and net assets	42,613,896	43,214,798

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Three months ended June 30	
	2019	2020
ORDINARY INCOME:	991,840	939,065
Insurance premiums and other	733,015	647,859
Investment income	223,692	264,495
Interest, dividends and other income	200,461	203,950
Gains on money held in trust	129	—
Gains on sales of securities	7,417	15,116
Investment gains on separate accounts	3,288	23,511
Other ordinary income	35,133	26,710
ORDINARY EXPENSES:	949,375	891,264
Benefits and other payments	641,394	613,923
Claims paid	206,428	159,263
Annuity payments	148,029	156,198
Benefit payments	149,636	148,486
Surrender benefits	111,849	123,246
Provision for policy reserves and other reserves	53,882	42,574
Provision for policy reserves	53,859	42,552
Provision for interest on policyholders' dividend reserves	23	21
Investment expenses	97,200	79,175
Interest expenses	11,142	8,476
Losses on money held in trust	—	951
Losses on sales of securities	373	2,234
Losses on valuation of securities	15,054	14,121
Operating expenses	114,577	116,272
Other ordinary expenses	42,320	39,319
Ordinary profit (loss)	42,465	47,800
Extraordinary gains	0	17
Gains on disposals of fixed assets	—	17
Reversal for reserve for contingent liabilities	0	0
Extraordinary losses	6,826	10,515
Losses on disposals of fixed assets	362	780
Impairment losses	1,141	2,062
Provision for reserve for price fluctuation	5,195	4,160
Contributions for promotion of social welfare project	126	186
Other extraordinary losses	—	3,326
Surplus before income taxes and non-controlling interests	35,639	37,303
Income taxes	4,816	4,330
Current	3,612	2,056
Deferred	1,203	2,274
Net surplus	30,822	32,972
Net surplus attributable to non-controlling interests	16	13
Net surplus attributable to the Parent Company	30,806	32,958

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months ended June 30	
	2019	2020
Net surplus	30,822	32,972
Other comprehensive income (loss)	(96,778)	343,473
Net unrealized gains (losses) on available-for-sale securities	(109,795)	368,412
Deferred unrealized gains (losses) on derivatives under hedge accounting	2,305	(2,584)
Land revaluation differences	1,149	—
Foreign currency translation adjustments	(54)	(4,044)
Remeasurements of defined benefit plans	6,779	(47)
Share of other comprehensive income (loss) of associates accounted for under the equity method	2,838	(18,262)
Comprehensive income (loss)	(65,955)	376,445
Comprehensive income (loss) attributable to the Parent Company	(65,972)	376,432
Comprehensive income (loss) attributable to non-controlling interests	16	13

4. Notes to the Unaudited Consolidated Financial Statements

Notes to the Unaudited Consolidated Balance Sheet as of June 30, 2020

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, 2020 approved at the annual meeting of the representatives of policyholders held on July 2, 2020 is reflected in the consolidated balance sheet as of June 30, 2020.
 - (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, 2020. 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, 2020, after taking into account the effect of deferred tax accounting.

Therefore, income taxes-deferred of the Company for the three months ended June 30, 2020 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 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, 2020 were as follows:

	Millions of Yen
Balance at the beginning of the period	¥ 245,988
Transfer from surplus in the previous fiscal year	148,874
Dividend payments to policyholders during the period	(46,080)
Interest accrued during the period	21
Balance at the end of the period	¥ 348,804

4. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥2,771,782 million as of June 30, 2020.

5. Securities sold under repurchase agreements

Securities sold under repurchase agreements amounted to ¥120,495 million as of June 30, 2020.

6. Subordinated Bonds

As of June 30, 2020, bonds payable in liabilities included subordinated bonds and foreign currency-denominated subordinated bonds of ¥640,735 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, 2020

1. Other extraordinary losses

Other extraordinary losses are mainly as follows due to the declaration of a State of emergency to COVID-19 from Japanese government:

- (1) Compensation for Sales agents due to self-restraint of face-to-face business activity
- (2) Cancellation costs of outsourcing system development

2. 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, 2020, 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, 2020

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	3	¥ 590	¥ 1,373	¥ 1,963
Idle assets	1	57	40	98
Total	4	¥ 647	¥ 1,414	¥ 2,062

(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 1.87% for the three months ended June 30, 2020. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

3. 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, 2020 were ¥14,077 million and ¥1,898 million respectively.