

February 14, 2017

Financial Results for the Nine Months Ended December 31, 2016

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the Nine Months ended December 31, 2016.

« Contents »

1. Unaudited Consolidated Balance Sheets	P1
2. Unaudited Consolidated Statements of Income	P3
3. Unaudited Consolidated Statements of Comprehensive Income	P4
4. Notes to the Unaudited Consolidated Financial Statements	P5

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, 2016	As of December 31, 2016
ASSETS:		
Cash and deposits	481,381	659,535
Call loans	90,000	90,000
Monetary claims bought	223,659	221,701
Securities	30,624,492	31,920,122
Loans	5,634,123	5,412,528
Tangible fixed assets	930,595	920,430
Intangible fixed assets	527,144	461,511
Due from agents	1,831	1,191
Reinsurance receivables	115,877	103,368
Other assets	480,002	441,835
Net defined benefit assets	37,298	49,737
Deferred tax assets	2,485	1,376
Customers' liabilities under acceptances and guarantees	20,854	20,888
Allowance for possible loan losses	(5,457)	(5,442)
Total assets	39,164,289	40,298,784

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31, 2016	As of December 31, 2016
LIABILITIES:		
Policy reserves and other reserves	33,790,403	33,926,524
Reserve for outstanding claims	707,333	639,438
Policy reserves	32,842,168	33,003,911
Policyholders' dividend reserves	240,902	283,174
Due to agents	2,835	2,143
Reinsurance payables	832	812
Bonds payable	293,445	402,317
Other liabilities	478,051	910,816
Net defined benefit liabilities	12,447	10,798
Accrued retirement benefits for directors and executive officers	82	82
Reserve for contingent liabilities	1	2
Reserve for price fluctuation	522,116	549,573
Deferred tax liabilities	329,406	466,832
Deferred tax liabilities for land revaluation	82,137	81,844
Acceptances and guarantees	20,854	20,888
Total liabilities	35,532,618	36,372,637
NET ASSETS:		
Foundation funds	260,000	310,000
Reserve for redemption of foundation funds	470,000	520,000
Reserve for revaluation	452	452
Surplus	506,083	412,824
Total funds, reserve and surplus	1,236,536	1,243,277
Net unrealized gains on available-for-sale securities	2,291,022	2,653,230
Deferred unrealized gains on derivatives under hedge accounting	38,659	37,719
Land revaluation differences	119,894	119,364
Foreign currency translation adjustments	(26,190)	(114,372)
Remeasurements of defined benefit plans	(32,200)	(16,645)
Total accumulated other comprehensive income	2,391,186	2,679,294
Non-controlling interests	3,947	3,574
Total net assets	3,631,671	3,926,146
Total liabilities and net assets	39,164,289	40,298,784

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Nine months ended December 31	
	2015	2016
ORDINARY INCOME:	3,207,332	2,819,604
Insurance premiums and other	2,546,755	2,112,854
Investment income	582,345	603,941
Interest, dividends and other income	499,277	532,511
Gains on money held in trust	0	—
Gains on sales of securities	8,334	11,048
Investment gains on separate accounts	—	14,620
Other ordinary income	78,231	102,808
ORDINARY EXPENSES:	2,991,444	2,649,615
Benefits and other payments	1,745,797	1,741,868
Claims paid	425,828	449,189
Annuity payments	530,654	515,460
Benefit payments	303,445	354,689
Surrender benefits	344,622	352,047
Provision for policy reserves and other reserves	689,825	279,529
Provision for policy reserves	689,619	279,421
Provision for interest on policyholders' dividend reserves	205	108
Investment expenses	126,269	156,232
Interest expenses	3,733	19,785
Losses on sales of securities	1,808	26,867
Losses on valuation of securities	10,197	17,599
Investment losses on separate accounts	7,056	—
Operating expenses	281,568	318,382
Other ordinary expenses	147,983	153,602
Ordinary profit	<u>215,887</u>	<u>169,989</u>
Extraordinary gains	510	1,231
Gains on disposals of fixed assets	510	1,231
Extraordinary losses	22,644	29,897
Losses on disposals of fixed assets	2,355	1,011
Impairment losses	758	533
Provision for reserve for contingent liabilities	3	0
Provision for reserve for price fluctuation	19,049	27,509
Losses on reduction entry of real estate	—	333
Contributions for promotion of social welfare project	476	506
Other extraordinary losses	—	1
Surplus before income taxes and non-controlling interests	<u>193,753</u>	<u>141,323</u>
Income taxes	<u>20,219</u>	<u>16,637</u>
Current	19,993	17,349
Deferred	226	(711)
Net surplus	<u>173,533</u>	<u>124,685</u>
Net surplus attributable to non-controlling interests	<u>168</u>	<u>554</u>
Net surplus attributable to the Parent Company	<u><u>173,365</u></u>	<u><u>124,131</u></u>

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended December 31	
	2015	2016
Net surplus	173,533	124,685
Other comprehensive income (loss)	(129,504)	288,717
Net unrealized gains (losses) on available-for-sale securities	(138,900)	361,400
Deferred unrealized gains (losses) on derivatives under hedge accounting	4,632	(940)
Land revaluation differences	208	34
Foreign currency translation adjustments	(236)	(70,197)
Remeasurements of defined benefit plans	18,309	15,563
Share of other comprehensive income (loss) of associates accounted for under the equity method	(13,517)	(17,141)
Comprehensive income (loss)	44,029	413,403
Comprehensive income (loss) attributable to the Parent Company	43,865	412,805
Comprehensive income (loss) attributable to non-controlling interests	163	598

4. Notes to the Unaudited Consolidated Financial Statements

Notes to the Unaudited Consolidated Balance Sheets as of December 31, 2016

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, 2016. 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, 2016, after taking into account the effect of deferred tax accounting.

Therefore, income taxes-deferred of the Company for the nine months ended December 31, 2016 are included in the income taxes-current in the consolidated statements of income.

2. Policy reserves

The policy reserves of the Company include an amount to be additionally set aside as 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 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act". 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 also include reserves which are additionally set aside for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance.

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

3. Available-for-sale securities

With regards to bonds among available-for-sale securities denominated in foreign currencies, translation adjustments caused by significant yen appreciation are recorded in losses on valuation of securities.

Although the existence of "significant yen appreciation" was determined based on the exchange rate at the end of each period so far, the Company changed the method to make such determination based on the average exchange rate during the final month of the period from the nine months ended December 31, 2016.

The effects of this change on ordinary profit and surplus before income taxes and non-controlling interests for the nine months ended December 31, 2016 are immaterial.

4. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the nine months ended December 31, 2016 were as follows:

	Millions of Yen
Balance at the beginning of the fiscal year	¥240,902
Transfer from surplus in the previous fiscal year	165,707
Dividend payments to policyholders during the period	(123,580)
Interest accrued during the period	145
Balance at the end of the period	¥283,174

5. Foundation Funds

The Company offered foundation funds in the amount of ¥100,000 million pursuant to Article 60 of the “Insurance Business Act” in the nine months ended December 31, 2016.

6. 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 as of December 31, 2016.

7. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,750,084 million as of December 31, 2016.

8. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥10,397 million at fair value as of December 31, 2016.

9. Subordinated Bonds

As of December 31, 2016, bonds payable in liabilities included subordinated bonds and foreign currency-denominated subordinated bonds of ¥376,132 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, 2016

1. Impairment of Fixed Assets

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

(1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for the Company's 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, 2016, 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, 2016

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	12	269	160	430
Total	12	¥269	¥160	¥430

(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 determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 1.97% for the nine months ended December 31, 2016. 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, 2016 were ¥37,360 million and ¥4,116 million, respectively.