Empowering your future

SUMITOMO LIFE

Annual Report

Fiscal Year Ended March 31, 2013

2013

Overview (As of March 31, 2013)

Official Name	SUMITOMO LIFE INSURANCE COMPANY
Established	May 1907

Location

Head Office:
1-4-35, Shiromi, Chuo-ku,
Osaka 540-8512, Japan

Tokyo Head Office:
7-18-24, Tsukiji, Chuo-ku,
Tokyo 104-8430, Japan

President and CEO	Yoshio Sato
Number of Employees	42,098 (11,228 administrative; 30,870 sales)
Sales Offices	71 branch offices; 1,516 district offices
Total Assets	¥26.4 trillion ($281.3 billion)
Policies in Force:	
Individual life insurance	¥97.4 trillion ($1,036.5 billion)
Individual annuities	¥13.6 trillion ($144.7 billion)
Group insurance	¥32.3 trillion ($343.5 billion)
Group annuities	¥2.6 trillion ($27.9 billion)

Note: U.S. dollar amounts are converted at US$1.00 = ¥94.05, the rate prevailing on March 31, 2013.

History

The head office building of Hinode Life completed in December 1913

May 1907	Incorporated as Hinode Life Insurance Co., Ltd.
May 1926	Name changed to Sumitomo Life Insurance Co., Ltd. following acquisition by Sumitomo Goshi (joint-stock) Company.
March 1948	All assets and liabilities were transferred to Kokumin Life Insurance Co. after the General Headquarters dismantled large Japanese conglomerates including "Sumitomo".
June 1952	Name changed to Sumitomo Life Insurance Company.
November 2005	Established PICC Life Insurance Co., Ltd. in China with The People's Insurance Company (Group) of China Limited.
April 2010	Established Medicare Life Insurance Co., Ltd. as a life insurance subsidiary.
December 2012	Formed a business alliance with Bao Viet Holdings (Vietnam).

Management Policy

1. Based upon the concepts of coexistence, co-prosperity and mutual support, we strive to strengthen and expand our business, while contributing to the advancement of social and public welfare.
2. Creditworthiness and steadiness will be the foundation for the execution of our business.
3. We will always remain composed in judgment and retain a progressive and indomitable spirit, responding to changes in our environment and keeping abreast of the times.

Contents

Business Highlights (Non-Consolidated)

Years ended March 31	Billions of yen 2011	Billions of yen 2012	Billions of yen 2013	Billions of U.S. dollars 2013
Key Financial Results				
Premium income	¥2,998.8	¥2,589.8	¥3,140.2	$33.3
Core business profit	¥ 265.2	¥ 331.8	¥ 426.1	$ 4.5
Adjusted core business profit*1	¥ 298.5	¥ 328.0	¥ 338.9	$ 3.6
Business Performance (Individual Life Insurance and Annuities)				
Annualized premium of policies in force	¥2,184.1	¥2,187.5	¥2,215.4	$23.5
Annualized premium of new business	¥ 178.6	¥ 139.4	¥ 172.6	$ 1.8
Annualized premium of surrendered and lapsed policies	¥ 97.9	¥ 89.0	¥ 99.6	$ 1.0
European Embedded Value (EEV)				
EEV*2	¥1,969.5	¥2,318.5	¥2,662.2	$28.3
Value of new business*3	¥ 156.7	¥ 177.7	¥ 197.9	$ 2.1
Financial Strength				
Accumulated retained surplus*4	¥ 985.4	¥1,008.4	¥1,116.8	$11.8
Solvency margin ratio (current regulations)*5	636.5%	708.6%	832.8%	—
Solvency margin ratio (previous regulations)	1,002.2%	—	—	—

* 1. Core business profit excluding the impact of standard policy reserves concerning the minimum guarantees for variable annuities.
* 2. Value for the Group (Sumitomo Life Insurance Company and Medicare Life Insurance Co., Ltd.)
* 3. Value of new business for Medicare Life Insurance Co., Ltd. is included for fiscal 2012.
* 4. Accumulated retained surplus is the total of the fund for price fluctuation allowance, accumulated redeemed foundation funds, and the reserve for redemption of foundation funds on the net assets section plus the contingency reserves and the reserve for price fluctuations on the liabilities section.
* 5. New solvency margin regulations with a higher and more precise risk weight have been applied since March 31, 2012. The new solvency margin ratio is shown along with the previous regulations for fiscal 2010.

Notes: 1. U.S. dollar amounts are converted at US$1.00 = ¥94.05, the rate prevailing on March 31, 2013.
2. Amounts of less than 0.1 billion yen or less than 0.1 billion dollars have been truncated.

Aiming to Become The Most Recommended Insurance Company

Yoshio Sato
President and Chief Executive Officer

Looking Back on Fiscal 2012

Demographics have been transforming Japan. Due to the low birth rate and increasing elderly population, Japan now leads the world with one of the most rapidly greying societies. This change is sparking a reevaluation of the social security system, including annuities and public nursing care, in order to increase its sustainability. Going forward, the role that life insurance companies such as Sumitomo Life will play is expected to be even more significant.

The Great East Japan Earthquake, which occurred in March 2011, has reawakened us to the vital role insurance plays. That painful experience reemphasized the protection life insurance provides our customers and their families, as well as the gravity of our duty. We must steadfastly fulfill our responsibilities and support our customers, in order to live up to the expectations they place in us with each and every policy.

To fulfill this role, we have developed a brand strategy centered on the message of "empowering your future." We seek to support and protect our customers and their families throughout the future. We aim to become the most recommended insurance company.

Fiscal 2012 (the year ended March 31, 2013) marked the second year of the "Sumitomo Life Medium-Term Program." This concrete action plan is designed to achieve our brand vision. Under it, we have continued to make progress on various initiatives to reinforce our sales and service systems.

Securing Sustainable Growth amid Expectations for Economic Recovery

Performance

Reviewing our fiscal 2012 consolidated performance, annualized premiums from policies in force for individual life insurance and annuities of the Sumitomo Life Group (Sumitomo Life and Medicare Life Insurance Co., Ltd.) rose 1.5% compared with the end of the previous fiscal year to ¥2,225.8 billion, increasing for the eighth consecutive year. Annualized premiums from new policies for individual life insurance and annuities rose 25.0% to ¥178.8 billion, mainly due to the high level of sales for both low-margin single-premium whole life policies sold through the bancassurance network and savings-type products sold through our sales representative network.

Annualized premiums for surrendered and lapsed policies increased over the previous year mainly due to increased surrenders in variable annuities sold through banks and financial institutions from customers who reached their targeted levels of investment gain on the back of the positive turnaround in market conditions from the end of 2012 onward. On the other hand, for those sold through our sales representative network, annualized premiums for surrendered and lapsed policies decreased 2.7%, extending a long-standing trend of improvement, thanks to our efforts to enhance customer service focusing on contact with policyholders.

With this solid performance from insurance operations, we maintained a stable level of profits and posted adjusted core business profit* of ¥338.9 billion, 3.3% higher than the previous fiscal year.

*Adjusted core business profit is core business profit excluding the impact of standard policy reserves concerning the minimum guarantees for variable annuities.

Asset Management and Financial Strength

We follow an Asset-Liability Management (ALM) framework as our basic policy, investing mainly in yen-denominated interest-bearing assets to secure stable earnings over the medium- to long-term.

We strive to both reduce risks accompanying fluctuations in interest rates and secure stable earnings by investing mainly in super-long-term bonds that correspond with the long-term liabilities typical of life insurance policies. In addition, we invest in foreign currency denominated foreign bonds, which have higher interest rates compared with Japanese bonds, while controlling foreign exchange fluctuation. To improve our resilience against risk, we continue to reduce our exposure to stocks and other risky assets while also hedging against the risk of future share-price declines, even though we recognize that stock markets at the end of fiscal 2012 were on the rise.

Japan is likely to introduce economic value-based solvency margin regulation in the near future. In anticipation of this future regulation, we have implemented economic value-based integrated risk management. Under this advanced risk management, we have controlled our exposure to stocks and other risky assets while firmly increasing accumulated retained surplus based on stable profits. In addition, we have decreased our overall reliance on external financing, but we will continue to secure an appropriate level of financing as a matter of policy.

European Embedded Value (EEV)

As a result of our efforts in the areas of sales, services, asset management and risk management, our EEV increased 14.8% to ¥2,662.2 billion compared with the previous fiscal year. We have been able to maintain sustainable growth in EEV, despite the low-interest rate environment, by securing new business and reducing our expense ratio as well as our surrender and lapse rates.

Penetrating Growth Markets as an Industry Leader

In Japan's highly greying society, life insurance needs are shifting from mortality coverage, designed to support bereaved families, to products designed to pay benefits during the lives of the customers. We proactively offer coverage that extends beyond mortality to include morbidity and longevity. Specifically, we are focusing on nursing care, medical insurance and retirement planning as three growth areas in Japan, and we are exploring these areas with our unique "multi-channel, multi-product" strategy.

Sumitomo Life markets nursing care and medical insurance coverage primarily through its 30,000 sales representatives who excel in face-to-face consultation. They know how to identify customer's unmet needs while thoroughly communicating the value and importance of life insurance in light of reforms to the social security system.

In fiscal 2012, annualized nursing care and medical insurance premiums increased 1.0% to ¥510.4 billion, increasing for the tenth consecutive year. This growth is the result of the strong consulting abilities of our sales representatives and the enhancement of customer service focusing on regular contact with our existing policyholders. Working to further strengthen their consulting abilities and improve the quality of our services, we introduced mobile terminals for business-use in July 2012.

And as we introduce advanced new products that augment nursing care and medical coverage, we are also striving to augment medical insurance-related services including providing second opinion services to get opinions about treatments for diseases from outside the primary care physician and setting up an informative website where customers can look up consultation offices related to nursing care and regional nursing care facilities.

In the retirement planning market, our bancassurance network is highly effective and ranks as the industry's largest with over 300 participating banks and financial institutions. Our bancassurance network has traditionally sold variable annuities and other savings-type products, but is now expanding to sell more highly profitable protection-oriented life insurance products. Due mainly to the praise garnered by our savings-type products, fiscal 2012 saw large increases in income from insurance premiums and annualized premiums of new business through our bancassurance network.

We are also responding to the growing number of customers who compare multiple life insurance products using such new channels as insurance outlets and the Internet. In light of the changing environment, we launched Medicare Life Insurance Co., Ltd. in April 2010, as the first life insurance subsidiary of a major Japanese life insurance company to provide affordable medical insurance with robust coverage through these emerging channels. The multi-product strategy undertaken by Sumitomo Life and Medicare Life Insurance has continued to enjoy steady success. Medicare Life Insurance has accelerated the pace of its business performance in fiscal 2012, the third year since its founding, with new policies increasing 3.6 times year on year to 107,000. In May 2013, total policies held surpassed 150,000.

In our overseas business, China-based PICC Life Insurance Company, which we established with The People's Insurance Company (Group) of China Limited, has rapidly expanded its business by leveraging PICC's strong brand recognition to expand its branch network. In its seventh year, PICC Life generated premium income of 79.6 billion yuan in fiscal 2012, and is now the fifth largest among the 61 life insurance companies in China. PICC Life posted a profit in fiscal 2012 for the fourth consecutive year and is growing at a pace that has allowed it to erase its accumulated losses by fiscal 2011.

Additionally, in Vietnam, we invested in the largest Vietnamese insurance and financial group, Bao Viet Holdings, acquiring 18% of issued shares in 2013. By dispatching our executives and employees, including directors and auditors, and utilizing the know-how we have gained in the life insurance industry, we are working to establish the life insurance market in Vietnam as a base for future growth.

Along with efforts to exploit domestic growth areas, we will continue to focus on overseas markets, especially high-growth potential countries in Asia, as a driver for our sustainable growth.

Looking to Fiscal 2013

Fiscal 2013 is the final year of the Sumitomo Life Medium-Term Program which aims to realize our brand vision.

As we progress with our brand strategy, enhancing consulting and services for our policyholders is absolutely crucial to providing our customers with the value unique to Sumitomo Life. Additionally, we will further promote and strengthen various initiatives including the promotion of the “multi-channel, multi-product” strategy and expansion of life insurance businesses overseas in order to fulfill our vision of becoming the most recommended insurance company.

I thank you for your continued support.

Yoshio Sato
President and Chief Executive Officer

Brand Vision

For Sumitomo Life’s brand vision, we have declared the achievement of “Four Advanced Values” as our goal to empower the future of our customers.

By providing these values to each of our customers through the ongoing efforts of all of our executives and employees, we hope to distinguish the uniqueness and prominence of our services. We are sure that by continuing to thoroughly provide these values we will be able to increase the loyalty of our customers.

With the brand message “empowering your future,” which conveys the commitment to our customers in our brand vision, we hope to help protect and support our customers and their families by directly addressing their concerns as they plan for and move beyond life’s challenges. We will do our utmost to fulfill this role, which, we believe, should form the basis of all life insurance businesses.

Brand Vision: “Four Advanced Values”

Consistently and continuously provide advanced consulting and services

Beyond providing easy-to-understand and polite consulting upon the initial purchase of life insurance, we seek to offer precise, ongoing consulting and other services to realize appropriate coverage at each stage of a customer’s life.

Offer advanced products to enable customers to live vigorously

We develop and offer advanced products that respond to our customers’ current and also expected future needs in areas focusing on nursing care, medical insurance and retirement planning.

Sumitomo Life is “Empowering your future”

Aim at achieving impressive customer service that always exceeds customers’ expectations

We aim to provide convenient, high-quality services in all areas with a level of warmth and empathy found nowhere else.

Provide an evolving support program to encourage a “healthy life” and “rich and happy golden years”

We seek to provide a new support program based on areas closely associated with the insurance business, including nursing care and health, social insurance and asset planning consultation services.

Individual Life Insurance and Annuities

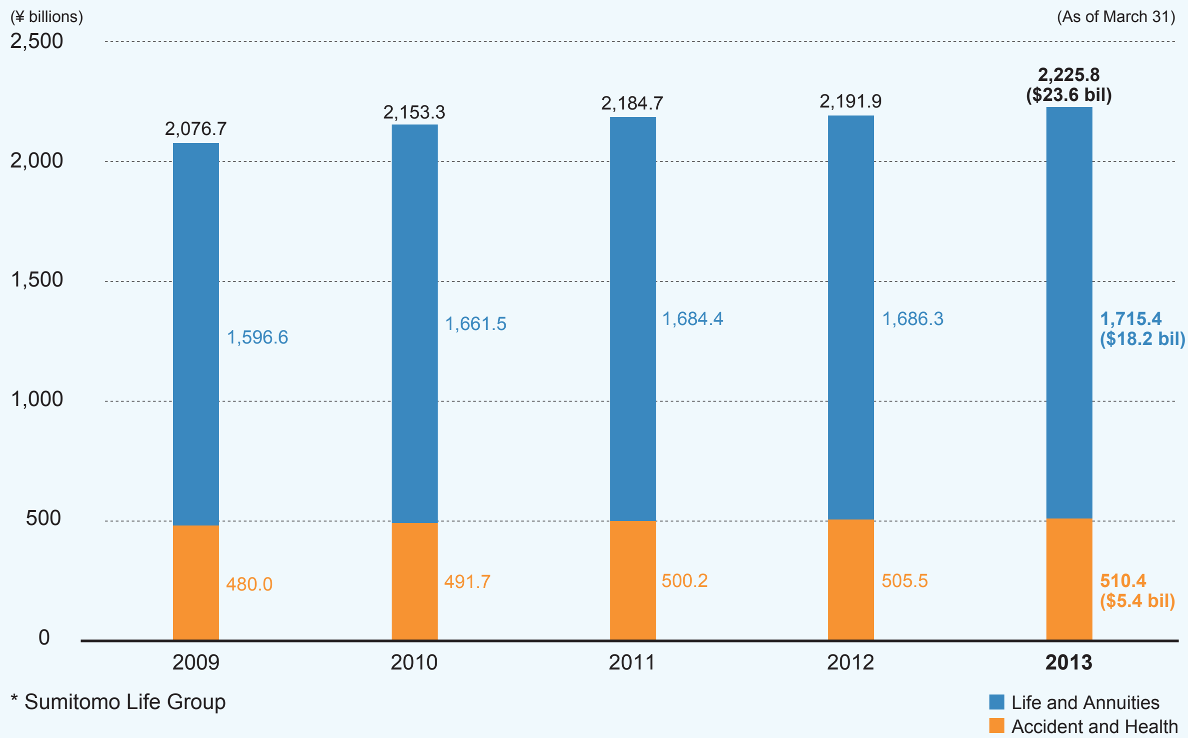
The annualized premiums from individual life insurance and annuities in force maintained sustainable growth, increasing for the eighth consecutive year, amid firm new business.

Annualized Premiums from Policies in Force

In the fiscal year ended March 31, 2013, the annualized premiums from policies in force for individual life insurance and annuities rose 1.5% to ¥2,225.8 billion ($23.6 billion), increasing for the eighth consecutive year. The annualized premiums from policies in force for Accident and Health insurance products such as nursing care and medical insurance rose 1.0% to ¥510.4 billion ($5.4 billion), increasing for the tenth consecutive year.

The two main reasons for these consecutive increases in the annualized premiums from policies in force are:

1. We have achieved steady results through channel diversification in three growing markets (nursing care, medical insurance and retirement planning), which are expanding along with the advent of a long-lived society.
2. We have increased our efforts to reduce the surrenders and lapses of existing policies in our sales representative network. This has been achieved through our sales representatives maintaining frequent contact with customers, while making efforts to provide exceptional customer service.



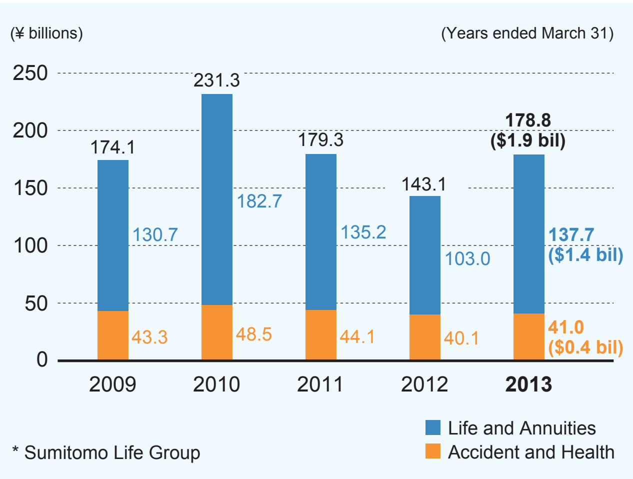
* Sumitomo Life Group

Annualized Premiums from New Business

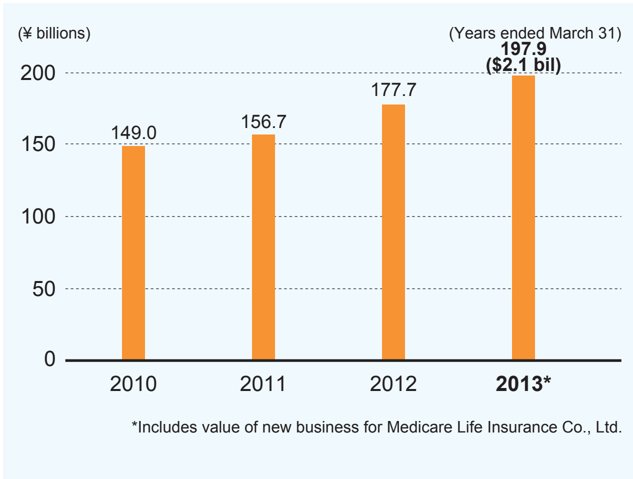
The annualized premiums from new business for individual life insurance and annuities totaled ¥178.8 billion ($1.9 billion), up 25.0% from the previous fiscal year. This increase was primarily due to favorable sales of single-premium whole life insurance via our bancassurance network.

As a result, the value of new business, which is the current value of future profits attainable from new policies, increased 11.4% to ¥197.9 billion ($2.1 billion), mainly due to increases in single-premium whole life insurance.

Annualized Premiums from New Business



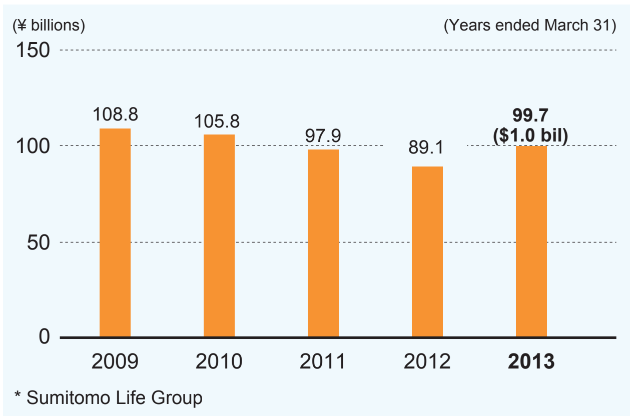
Value of New Business



Annualized Premiums from Surrendered and Lapsed Policies

The annualized premiums from surrendered and lapsed policies increased 11.9% to ¥99.7 billion ($1.0 billion) over the previous year.

This was mainly due to increased surrenders in variable annuities sold through banks and financial institutions from customers who reached their targeted investment gain levels on the back of the positive turnaround in market conditions from the end of 2012 onward. On the other hand, the annualized premiums from surrendered and lapsed policies for our sales representative network decreased 2.7%, continuing a long-standing trend of improvement. This reflects the regular contact our sales representatives maintain with existing policyholders.

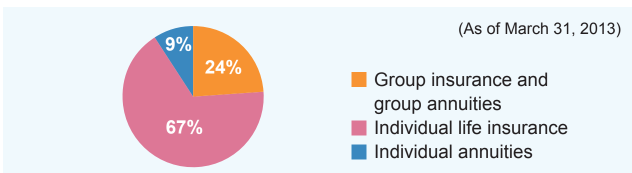


Group Insurance and Group Annuities

The total individual life insurance, individual annuities, group insurance and group annuities in force is ¥146.0 trillion ($1,552.7 billion).

Group insurance and group annuities account for ¥34.9 trillion ($371.4 billion), or 24% of the total, representing our well-balanced business portfolio.

Policies in Force



Operating Results

Adjusted core business profit for the fiscal year under review grew steadily to ¥338.9 billion ($3.6 billion).

Core Business Profit

Core business profit is an indicator of the earnings strength of Japan's life insurance companies.

In fiscal 2012, Sumitomo Life's core business profit increased 28.4% to ¥426.1 billion ($4.5 billion). This result was mainly due to the reversal of reserves to cover the minimum guarantees for variable annuities, which increased to ¥87.2 billion ($0.9 billion) from ¥3.7 billion in the previous fiscal year. Designed to measure profitability, adjusted core business profit, which excludes this and similar effects, increased 3.3% year-over-year to ¥338.9 billion ($3.6 billion).

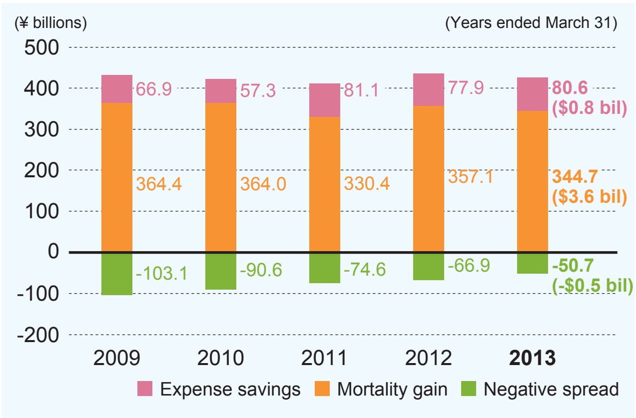
Negative spread, which we started to disclose in fiscal 2000, has improved for 12 consecutive years now, falling by ¥16.2 billion compared with the previous fiscal year to ¥50.7 billion ($0.5 billion).

The reasons for this continual improvement are:

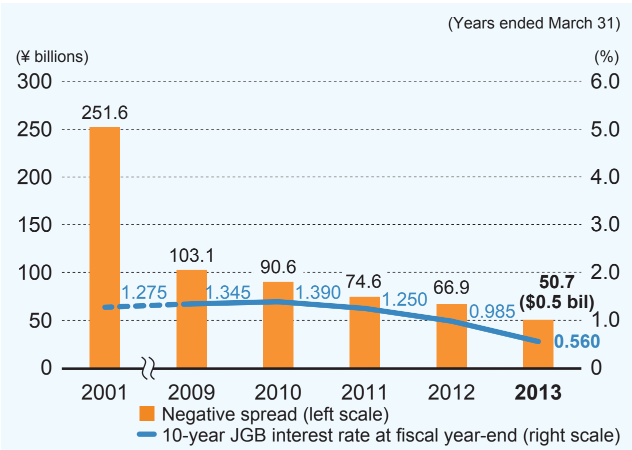
- Older policies with higher assumed interest rates are maturing and the percentage of new policies with lower assumed interest rates is increasing. In addition, we are carrying out asset management initiatives including the accumulation of super-long-term bonds to promote ALM.
- The average assumed interest rate is falling primarily due to allocating additional policy reserves to individual annuities at the commencement of new annuity payments.

Core Business Profits

Sources of Profits



Negative Spread



Financial Strength

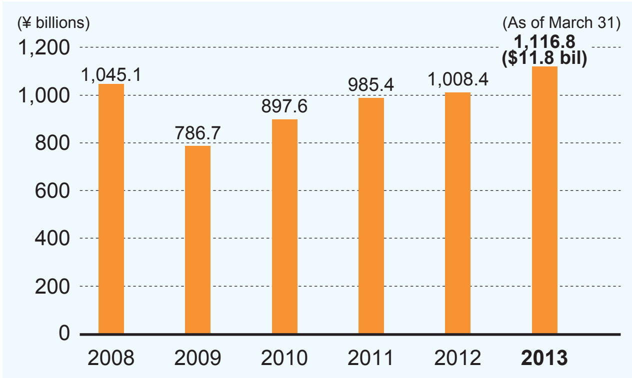
We boosted accumulated retained surplus to ¥1,116.8 billion ($11.8 billion), a level higher than before start of the financial crisis.

Accumulated Retained Surplus

In fiscal 2012, we boosted our accumulated retained surplus by ¥108.4 billion to ¥1,116.8 billion ($11.8 billion).

After surpassing the ¥1 trillion level at the end of fiscal 2007, we carried out a reduction due to the onset of the financial crisis. However, we have been able to steadily retain surplus during every subsequent period, and have now exceeded the pre-reduction level.

We will continue to reinforce our long-term financial strength by accumulating surplus while considering the distribution of dividends to policyholders.



Capital Policies

In line with economic value-based solvency margin regulations expected to be introduced in the future, we have been working to augment equity capital mainly by focusing on accumulating surplus and also through supplemental external financing.

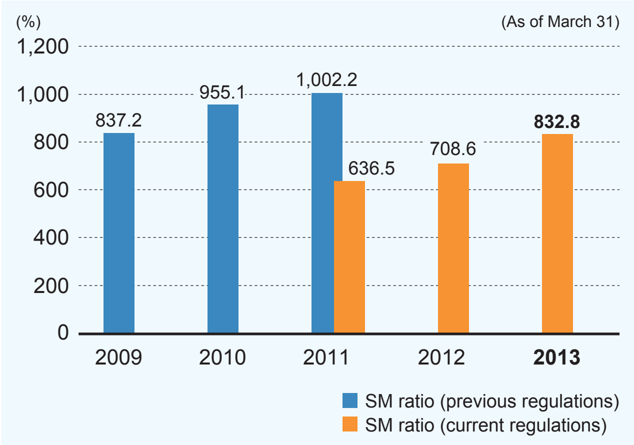
Regarding external financing in fiscal 2012, we repaid perpetual subordinated loans of ¥135.0 billion and redeemed ¥50.0 billion in foundation funds, as we raised foundation funds totaling ¥100.0 billion. As a result, we decreased the balance of external financing as we take steps to build a higher capital base.

Solvency Margin Ratio

New solvency margin regulations with a higher and more precise risk weight and a stricter requirement for external financing to be counted in the solvency margin were introduced in Japan on March 31, 2012.

The solvency margin ratio is the ratio of total solvency margin to total risk amount, which quantifies various risks. Our solvency margin ratio rose from 708.6% to 832.8% in the fiscal year ended March 31, 2013. The ratio far exceeds 200%, the level which would require administrative-intervention in Japan.

In Japan economic value-based solvency margin regulations, similar to the Solvency II Framework scheduled to be introduced in Europe, are under consideration for implementation. In anticipation, we have been decreasing risk and securing accumulated retained surplus.



Dividends to Policyholders

Maintaining a medium- to long-term perspective based on our earnings situation and what would be fair to participating policyholders, we pay stable dividends to policyholders while maintaining a sufficient level of accumulated retained surplus to withstand downside risk.

In fiscal 2012, we distributed dividends of ¥58.3 billion ($0.6 billion). For individual insurance and individual annuities, we increased a portion of regular dividends and reduced special dividends. For group annuities, we distributed dividends mainly according to the return on investment for group annuities and, as a general rule, maintained the same level of other dividends.

Financial Strength Ratings

As of the end of July 2013, we have received a rating of A2 from Moody’s and an A from Standard & Poor’s (S&P), Fitch Ratings (Fitch), Rating and Investment Information (R&I), and Japan Credit Rating Agency (JCR): receiving an A level rating from all the rating agencies.

In June 2013, S&P upgraded our rating one level to A. This was mainly attributable to our incredibly strong competitiveness in the Japanese market.

Rating Status	As of July 31, 2013
Moody’s	A2
S&P	A
Fitch	A
R&I	A
JCR	A

European Embedded Value (EEV)

Amid deteriorating economic conditions, EEV increased ¥343.7 billion ($3.6 billion) to ¥2,662.2 billion ($28.3 billion) because of management's efforts to secure new business, reduce the expense ratio and reduce surrenders and lapses.

European Embedded Value (EEV)

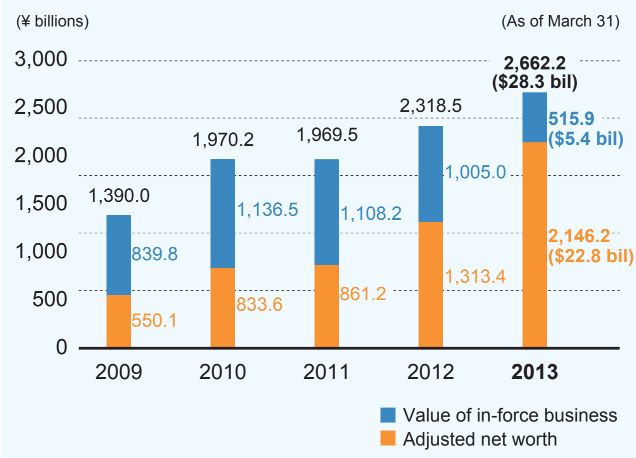
EEV increased ¥343.7 billion ($3.6 billion) to ¥2,662.2 billion ($28.3 billion) at the end of fiscal 2012.

Although EEV decreased ¥105.1 billion due to such economic conditions as lower interest rates, EEV increased ¥443.0 billion due to insurance business activities including efforts aimed at securing new business, reducing the expense ratio, and decreasing surrenders and lapses

Value of new business increased 11.4% to ¥197.9 billion ($2.1 billion) in fiscal 2012, which is continuously contributing to the increase of our EEV.

New business margin, the ratio of new business value to the present value of future premium income (not the annualized premium) amounted to 7.8%.

We will continue to focus on sustainable growth of our EEV by expanding the value of new business, decreasing the number of surrendered and lapsed policies, improving our operating efficiency, and promoting ALM.



	Billions of yen (Billions of U.S. dollars)		
Years ended March 31	2012	2013	Change (%)
Value of new business (A)	¥177.7	¥197.9 ($2.1)	+11.4%
Present value of premium income (B)*	¥1,897.3	¥2,537.7 ($26.9)	+33.8%
New business margin (A / B)	9.4%	7.8%	–1.6 pt

*Value of new business and present value of premium income for Medicare Life Insurance Co., Ltd. included for the year ended March 31, 2013.

Asset Management (General Account)

Our investment strategy is based on an Asset-Liability Management (ALM) framework. We strive to secure stable returns over the medium to long term by investing primarily in yen-denominated interest-bearing assets.

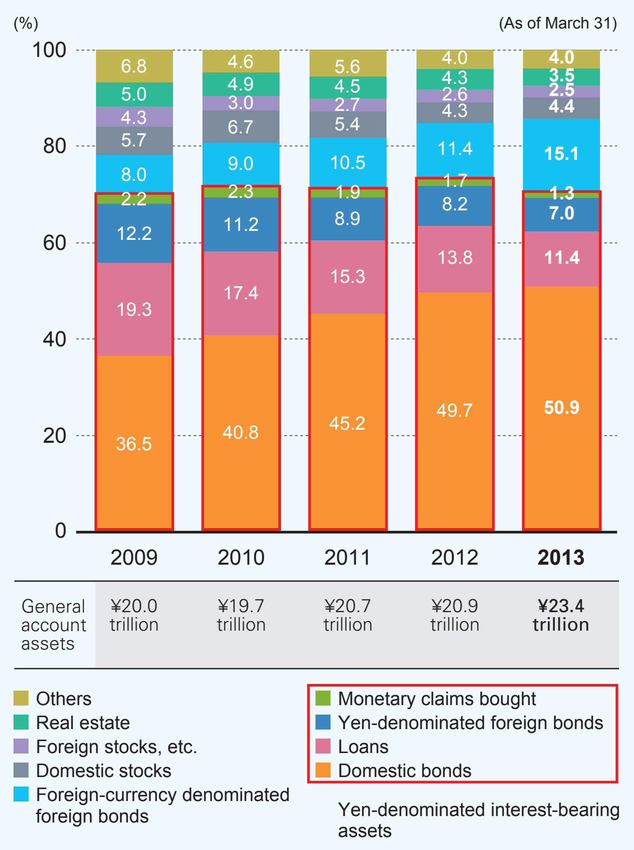
Asset Management

We have an ALM framework as our investment policy regarding general accounts from the perspective of the nature of life insurance business, which typically owns long-term liabilities.

We implement conservative asset management by investing mainly in low credit risk yen-denominated interest-bearing assets to secure stable earnings over the medium- to long-term periods.

Our investments in foreign currency denominated foreign bonds are limited to government bonds of countries with high credit ratings and other low credit risk instruments. In fiscal 2012, the currency risk was controlled with a full foreign exchange risk hedge on the principal of these investments.

We also limited the impact from stock price declines as we decreased our exposure to stocks.



Bonds

In line with our ALM strategy, we strive to accumulate yen-denominated interest-bearing assets, especially policy-reserve-matching bonds. In addition, we promote ALM and lengthen asset duration by investing in super-long-term bonds. This allows us to better match the duration of long-term liabilities.

Our investment focus on high rated bonds is demonstrated by the fact that substantially all bond holdings are rated A or higher. We do not hold any bonds issued by the governments of Greece, Italy, Ireland, Portugal or Spain.

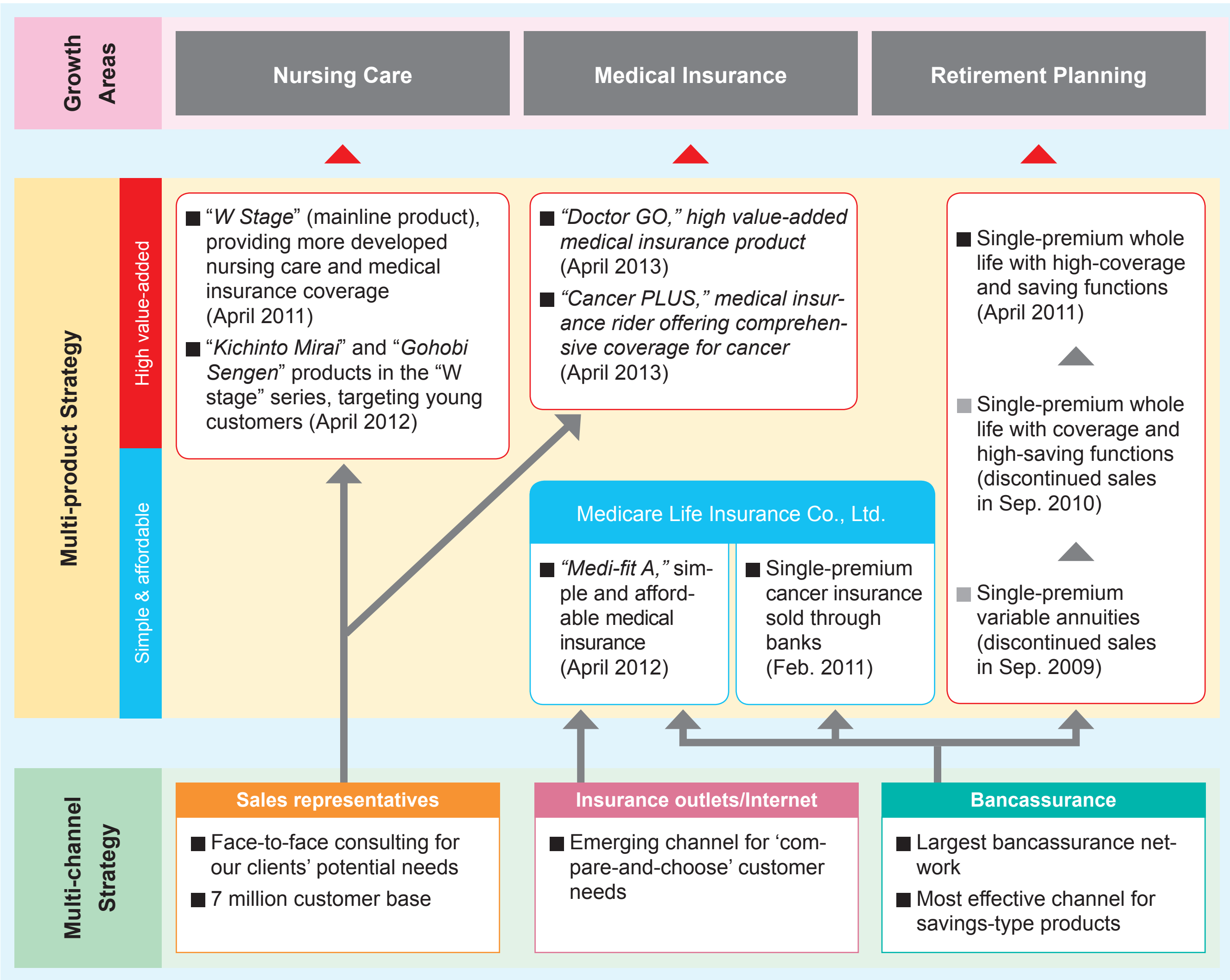
Domestic Stocks

As a result of continued reduction efforts, the outstanding balance of domestic stocks in the general account was reduced to ¥836.0 billion ($8.8 billion) at the end of fiscal 2012 on a book value basis and accounted for 4.4% of the general account in the balance sheet, an appropriately controllable level of risk.

Multi-channel, Multi-product Strategy

To achieve sustainable growth, in addition to the traditional mortality insurance field, we must actively develop the growth areas of nursing care, medical insurance and retirement planning, which will grow along with the advent of a long-lived society.

We are marketing products that meet these needs through our sales representatives as well as through our bancassurance network involving banks and the Japan Post Group. In addition, Medicare Life Insurance Co., Ltd., provides affordable medical insurance that offers total support covering cancer and medical treatments through insurance outlets, the Internet and bancassurance. Thus, we vigorously strive to develop these growing fields through our unique "multi-channel, multi-product" strategies.



Sales Representatives

Our primary sales channel includes over 30,000 full-time sales representatives. Our sales representatives, along with their strong consulting abilities, will be the most effective channel to develop the growing fields of nursing care and medical insurance, as the channel can identify unmet customer needs.

With about 10 million policies in force covering about seven million existing policyholders, our sales representative network benefits from the solid foundation provided by our customer base. This existing customer base can be used as a launching pad for sales initiatives which propose additional insurance and reviews of current policies.

From this perspective, we are creating an environment that aims to increase the frequency of contact sales representatives have with policyholders. In sales representative recruitment, we have shifted to recruiting sales representatives on a quarterly basis rather than a monthly basis, unlike hiring undertaken by other large insurance companies, in order to strengthen our screening process. We have also implemented a system whereby new hires conduct basic desk research during their first three months at the Company.

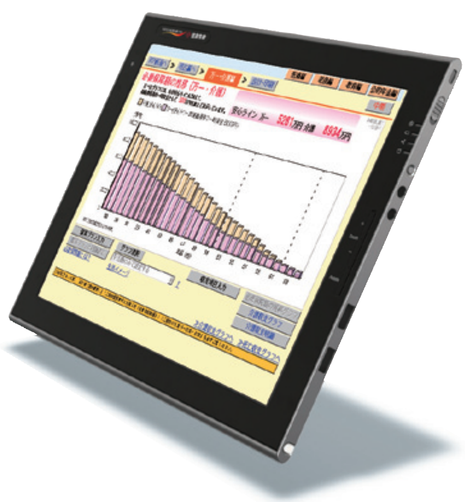
We are also working to strengthen the consulting ability of our sales representative channel through such efforts as reinforcing personnel training programs, introducing new business-use mobile terminals and improving face-to-face consulting services with customers.

These efforts have been proven effective in successfully strengthening our sales representative channel, as demonstrated by the consistent improvements in our sales representative retention rate and insurance policy persistency rate.

We are now reinforcing our approach to the growing fields of nursing care and medical insurance with the April 2011 launch of “W Stage,” which provides more comprehensive nursing care and medical insurance coverage. In addition, we have begun sales of “Cancer PLUS,” offering comprehensive coverage for cancer, which is of great concern for our customers

By offering property-casualty insurance in addition to life insurance, Sumitomo Life’s sales representative channel provides customers with optimal insurance that combines aspects of property-casualty insurance and life insurance. Our property-casualty insurance business is commission-driven, rather than underwriting based. We offer select products of Mitsui Sumitomo Insurance Company, Limited, a major Japanese non-life insurance company.

As an agent of Mitsui Sumitomo Insurance, annualized premiums from property-casualty insurance sold in fiscal 2012 increased 14.0% year on year to ¥50.4 billion. We are creating multiple profit sources through the transaction fees gained from this business. Moreover, we are working to expand and strengthen our life insurance customer-base by offering additional property-casualty insurance coverage.



Left: Consulting materials; Right: Sumisei Lief, a mobile terminal for business use

Bancassurance

The "savings (retirement planning)" market of annuities and other savings-type products for a comfortable and worry-free post-retirement life is projected to grow with the advent of a long-lived society. Banks, with total deposits of ¥800 trillion and a broad customer base, are the most effective channels for developing this market.

We sell our products via our network of more

Medicare Life Insurance Co., Ltd.

In Japan, a growing number of customers prefer to select insurance products after comparing them with other insurance products. Insurance outlets, which offer suitable products of multiple insurance companies for each customer, have been increasing nationwide to meet this change in customer needs.

We responded to these emerging needs by launching our life insurance subsidiary, Medicare Life Insurance Co., Ltd. in April 2010 to provide competitive, simple and affordable insurance products through insurance outlets and the Internet, under another brand distinct from Sumitomo Life.

Medicare Life worked to further improve its competitiveness based on upgrades made to its mainstay medical insurance and, as a result, Medicare Life experienced a solid increase in performance in fiscal 2012, its third year of operation, with the number of new policies jumping 261% to 107,000, and annualized premiums from new business increasing 67% to ¥6.2 billion.

Additionally, Medicare Life conducted a third-party share allocation of ¥30 billion with Sumitomo Life as the allottee in April 2013, aiming to further strengthen its financial base in preparation for future business development.

Overseas Operations

Along with efforts to develop domestic growth areas, we have focused on overseas operations.

Asia

In November 2005, we established PICC Life Insurance Company in partnership with The People's Insurance Company (Group) of China Limited. Sumitomo Life presently owns 10% of PICC Life as a strategic partner.

PICC Life operates 34 branches in 29 provinces and autonomous regions of China, with over 2,000 business bases.

PICC Life's premium income in the year ended December 2012 totaled 79.6 billion yuan ($12.8 billion), placing the Company in the fifth position among China's 61 life insurance companies.

In its seventh year, fiscal 2012, PICC Life earned 0.7 billion yuan in profits, posting an annual profit for the fourth consecutive year and, in fiscal 2011, eliminating accumulated losses.

In another promising market, we acquired 18% of the issued shares of Bao Viet Holdings, Vietnam's largest insurance and financial group. We are now the biggest shareholder after the Vietnamese government, and plan to dispatch our employees and officers, including directors and auditors. To capitalize on growth in the Vietnamese market, we will leverage the technological support we have cultivated over the years, including product development and system development.

In Asia, where economic development is forecast, we remain open to pursuing other initiatives while remaining attentive to profitability and risk management.

North America

We established a wholly owned U.S. subsidiary, Sumitomo Life Insurance Agency America, Inc. (SLIA) in 1986. SLIA has been accommodating the many needs of Japanese companies with U.S. operations for 27 years. SLIA provides brokerage and consulting services for employee benefit plans (group health insurance, etc.) nationwide. The Company maintains offices in New York, Los Angeles, Atlanta, Chicago, Kentucky and South Carolina, and is one of the largest Japanese brokers of employee benefit plans in the United States.

Representative Offices

Having established overseas representative offices in New York, London, Beijing and Hanoi, we are able to gather a broad range of information concerning overseas finance, securities and insurance businesses, which is used to perform research related to potential overseas development and expand insurance businesses in Japan and abroad.

Risk Management

In Japan, introduction of economic value-based solvency margin regulations are under consideration by the regulator.

In anticipation of future introduction of the economic value-based solvency margin regulations, we have implemented an economic value-based integrated risk management and have become the first mutual company in Japan to disclose EEV.

Our integrated risk management system is an advanced methodology that anticipates economic value-based solvency margin regulations, reflecting the Solvency II Framework scheduled to be introduced in Europe. In addition, we analyze profit and risk on a per product and business line basis through Enterprise Risk Management (ERM).

We are further upgrading our ERM framework to use as an effective tool that contributes to management's strategic decision making.

Governance

As a mutual insurance company, each holder of a participating policy is a member of the Company, or in other words, a part owner.

At the Annual Board of Policyholder Representatives Meeting, policyholder representatives (the fixed number is 180) elected by our policyholders make decisions on important matters, including the appropriation of the Company's net surplus, changes to the articles of incorporation, and the appointment of directors and auditors.

Three external directors have been appointed as members of the Board of Directors. To secure independence, the majority of our auditors are also external auditors.

The Corporate Governance Committee, headed by one of the external directors, allows for an outsider's perspective in its deliberation of issues related to the appointment of directors and executive officers, remuneration for executive officers, and the enhancement of internal control systems.

Policyholder Dialogues are held annually and, in fiscal 2012, we held 88 Policyholder Dialogues at branches throughout Japan for executives to listen directly to the opinions of policyholders and reflect those opinions in company management.

Additionally, the Board of Councilors, a body of academic experts and policyholders elected at the Annual Board of Policyholder Representatives Meeting to discuss important business issues, meets three times each year so that those opinions will be reflected in company management.

Annual Board of Policyholder Representatives Meeting in 2013

Corporate Social Responsibility (CSR)

We believe that contributing to society is one of our most important management priorities.

Specifically, we are advancing social contribution activities primarily around the themes of “measures addressing the declining birthrate and support for child raising,” “nursing care and medical care,” “the promotion of arts and culture,” and “global environmental conservation,” considering the affinity of these activities with the life insurance business.

Pink Ribbon Campaign

We support the Pink Ribbon Campaign which educates the public on the importance of the early detection and treatment of breast cancer. Our 30,000 sales representatives nationwide wear pink ribbons, explain the campaign to customers, and promote breast cancer screening.

Charity Concerts

In the promotion of arts and culture, we have regularly hosted charity concerts throughout Japan since 1986. To date, we have held a total of 972 charity concerts attended by about 1.21 million people. The funds raised by these concerts are donated to welfare facilities around Japan, and to international NGOs for the construction of school buildings in Thailand and Vietnam.

Furthermore, we are carrying out a project that uses a portion of the funds to donate pianos to schools in areas affected by the Great East Japan Earthquake. In the previous fiscal year, we donated five grand pianos to kindergartens and elementary schools in the prefectures of Iwate, Miyagi and Fukushima.

Charity Concert

A piano donated to a school affected by the earthquake

Children’s Drawing Contests

Since 1977, we have also organized international children’s drawing contests for the healthy growth of children. To date, we have held a total of 37 contests. Over 10.16 million works have been received since the start of this program. In addition, the winning works have been exhibited at the Louvre Museum in Paris every year since 2000, inspiring the dreams of children.

Works Awarded the Special Prize

THE LOUVRE MUSEUM PRIZE

Financial Section

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Notes: 1. U.S. dollar amounts are converted at U.S. $1.00 = ¥94.05, the rate prevailing on March 31, 2013.
2. Amounts of less than one million yen or less than one million dollars have been truncated.

Consolidated Balance Sheets

	Millions of yen			Millions of U.S. dollars
As of March 31	2011	2012	2013	2013
ASSETS:				
Cash and deposits (Notes 3 and 4)	¥ 121,444	¥ 127,313	¥ 233,076	$ 2,478
Call loans (Note 4)	433,800	375,700	434,100	4,615
Monetary claims bought (Note 4)	390,037	353,742	310,241	3,298
Securities (Notes 4, 6, 13 and 14)	18,070,402	18,889,513	21,695,225	230,677
Loans (Notes 4, 15 and 16)	3,171,361	2,887,447	2,663,423	28,319
Tangible fixed assets (Notes 5, 7 and 18)				
Land	534,568	523,603	481,625	5,120
Buildings	405,397	379,029	328,114	3,488
Lease assets	613	1,330	4,292	45
Construction in progress	1,104	1,341	542	5
Other tangible fixed assets	8,155	6,826	5,656	60
Subtotal	949,839	912,132	820,230	8,721
Intangible fixed assets				
Software	13,698	15,345	17,124	182
Lease assets	—	89	52	0
Other intangible fixed assets	10,826	11,017	10,513	111
Subtotal	24,524	26,452	27,690	294
Due from agents	3	5	3	0
Reinsurance receivables	187	214	195	2
Other assets	280,576	250,508	247,044	2,626
Deferred tax assets (Note 19)	320,362	211,596	135,712	1,442
Customers' liabilities under acceptances and guarantees	440	3,000	3,000	31
Allowance for possible loan losses	(8,128)	(4,058)	(3,324)	(35)
Total assets	¥23,754,851	¥24,033,569	¥26,566,620	$282,473

As of March 31	Millions of yen 2011	2012	2013	Millions of U.S. dollars 2013
LIABILITIES:				
Policy reserves and other reserves				
Reserve for outstanding claims	¥ 128,789	¥ 101,548	¥ 102,783	$ 1,092
Policy reserves	21,154,707	21,741,822	23,005,316	244,607
Policyholders' dividend reserves (Note 9)	321,724	303,534	291,521	3,099
Subtotal	21,605,221	22,146,905	23,399,622	248,799
Reinsurance payables	144	136	115	1
Other liabilities				
Payables under securities borrowing transactions (Note 4)	488,275	83,609	733,125	7,795
Other	733,019	695,851	950,585	10,107
Subtotal	1,221,294	779,460	1,683,711	17,902
Accrued retirement benefits (Note 10)	21,559	22,303	23,718	252
Accrued retirement benefits for directors	4	7	14	0
Reserve for price fluctuation	161,452	161,461	206,574	2,196
Deferred tax liabilities (Note 19)	55	277	843	8
Deferred tax liabilities for land revaluation	36,610	30,083	27,927	296
Acceptances and guarantees	440	3,000	3,000	31
Total liabilities	23,046,783	23,143,636	25,345,526	269,489
NET ASSETS:				
Foundation funds (Note 12)	210,000	220,000	270,000	2,870
Reserve for redemption of foundation funds (Note 12)	229,000	319,000	369,000	3,923
Reserve for revaluation	2	2	2	0
Surplus	378,775	336,733	323,928	3,444
Total funds, reserve and surplus	817,777	875,735	962,931	10,238
Net unrealized gains (losses) on available-for-sale securities	(9,729)	107,364	348,334	3,703
Deferred unrealized gains on derivatives under hedge accounting	162	59	—	—
Land revaluation differences	(104,263)	(97,069)	(93,037)	(989)
Foreign currency translation adjustments	(393)	(428)	(345)	(3)
Total accumulated other comprehensive income (losses)	(114,223)	9,926	254,950	2,710
Minority interests	4,514	4,270	3,212	34
Total net assets	708,068	889,933	1,221,094	12,983
Total liabilities and net assets	¥23,754,851	¥24,033,569	¥26,566,620	$282,473

Consolidated Statements of Income and Consolidated Statements of

[Consolidated Statements of Income]

	Millions of yen			Millions of U.S. dollars
Years ended March 31	2011	2012	2013	2013
ORDINARY INCOME:				
Insurance premiums and other	¥3,010,164	¥2,644,607	¥3,183,999	$33,854
Investment income (Note 22)				
Interest, dividends and other income	486,392	494,444	510,324	5,426
Gains on trading securities	—	—	1,131	12
Gains on sales of securities	28,723	41,988	33,389	355
Gains on redemption of securities	824	912	—	—
Gains on derivative financial instruments	15,374	—	—	—
Foreign exchange gains	182	1,162	—	—
Reversal of allowance for possible loan losses	—	3,687	720	7
Other investment income	450	617	1,129	12
Investment gains on separate accounts	—	69,676	347,626	3,696
Subtotal	531,948	612,488	894,321	9,508
Other ordinary income	126,456	144,838	113,720	1,209
Total ordinary income	3,668,568	3,401,935	4,192,041	44,572
ORDINARY EXPENSES:				
Benefits and other payments				
Claims paid	614,695	605,565	569,565	6,055
Annuity payments	300,377	311,299	357,460	3,800
Benefits payments	411,266	390,411	389,894	4,145
Surrender benefits	573,826	509,199	514,929	5,475
Other refunds	98,830	78,234	108,942	1,158
Subtotal	1,998,995	1,894,710	1,940,792	20,635
Provision for policy reserves and other reserves				
Provision for reserves for outstanding claims	19,403	—	1,234	13
Provision for policy reserves	785,070	587,115	1,263,494	13,434
Provision for interest on policyholders' dividend reserves (Note 9)	744	473	448	4
Subtotal	805,218	587,588	1,265,177	13,452
Investment expenses (Note 22)				
Interest expenses	12,978	12,230	9,625	102
Losses on trading securities	150	386	—	—
Losses on sales of securities	57,638	48,448	10,080	107
Losses on valuation of securities	49,626	67,120	13,318	141
Losses on derivative financial instruments	—	48,787	171,867	1,827
Foreign exchange losses	—	—	20	0
Depreciation of real estate for investments	18,463	18,166	16,181	172
Other investment expenses	18,724	18,710	16,454	174
Investment losses on separate accounts	23,783	—	—	—
Subtotal	181,366	213,850	237,548	2,525
Operating expenses (Note 17)	376,336	355,776	371,395	3,948
Other ordinary expenses	152,946	148,448	153,490	1,632
Total ordinary expenses	3,514,864	3,200,373	3,968,404	42,194
Ordinary profit	¥ 153,704	¥ 201,561	¥ 223,636	$ 2,377

Comprehensive Income

	Millions of yen			Millions of U.S. dollars
	2011	2012	2013	2013
Extraordinary gains				
Gains on disposals of fixed assets	¥ 8,517	¥ 4,735	¥ 11,765	$ 125
Reversal of allowance for possible loan losses	1,132	—	—	—
Subtotal	9,649	4,735	11,765	125
Extraordinary losses				
Losses on disposals of fixed assets	3,532	6,615	26,313	279
Impairment losses (Note 18)	8,089	6,427	24,237	257
Provision for reserve for price fluctuation	18,805	9	45,112	479
Losses on reduction of noncurrent assets	—	13	—	—
Payments to social responsibility reserve	646	778	614	6
Losses from change in accounting standard for asset retirement obligation	692	—	—	—
Subtotal	31,765	13,844	96,277	1,023
Surplus before income taxes and minority interests	131,589	192,452	139,124	1,479
Income taxes (Note 19)				
Current	10,486	30,028	65,067	691
Deferred	12,561	54,999	(32,639)	(347)
Total income taxes	23,048	85,028	32,428	344
Surplus before minority interests	108,541	107,423	106,696	1,134
Minority interests	(403)	(574)	(1,138)	(12)
Net surplus	¥ 108,944	¥ 107,998	¥ 107,834	$ 1,146

[Consolidated Statements of Comprehensive Income]

	Millions of yen			Millions of U.S. dollars
Years ended March 31	2011	2012	2013	2013
Surplus before minority interests	¥108,541	¥107,423	¥106,696	$1,134
Other comprehensive income (loss) (Note 21)	(54,479)	122,634	241,247	2,565
Net unrealized gains (losses) on available-for-sale securities	(54,308)	117,219	241,109	2,563
Deferred unrealized gains (losses) on derivatives under hedge accounting	(81)	(102)	(59)	(0)
Land revaluation differences	—	5,565	—	—
Foreign currency translation adjustments	(101)	(35)	82	0
Share of other comprehensive income (loss) of associates accounted for under the equity method	11	(13)	114	1
Comprehensive income	¥ 54,061	¥230,057	¥347,943	$3,699
Comprehensive income attributable to the Parent Company	54,445	230,527	348,826	3,708
Comprehensive income (loss) attributable to minority interests	(383)	(469)	(883)	(9)

Consolidated Statements of Changes in Net Assets

	Millions of yen			Millions of U.S. dollars
Years ended March 31	2011	2012	2013	2013
Funds, reserve and surplus				
Foundation funds (Note 12)				
Beginning balance	¥ 199,000	¥ 210,000	¥ 220,000	$ 2,339
Changes in the fiscal year				
Issuance of foundation funds	70,000	100,000	100,000	1,063
Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Net changes in the fiscal year	11,000	10,000	50,000	531
Ending balance	210,000	220,000	270,000	2,870
Reserve for redemption of foundation funds (Note 12)				
Beginning balance	170,000	229,000	319,000	3,391
Changes in the fiscal year				
Additions to reserve for redemption of foundation funds	59,000	90,000	50,000	531
Net changes in the fiscal year	59,000	90,000	50,000	531
Ending balance	229,000	319,000	369,000	3,923
Reserve for revaluation				
Beginning balance	2	2	2	0
Changes in the fiscal year				
Net changes in the fiscal year	—	—	—	—
Ending balance	2	2	2	0
Surplus				
Beginning balance	404,345	378,775	336,733	3,580
Changes in the fiscal year				
Additions to policyholders' dividend reserves (Note 9)	(61,602)	(57,466)	(63,345)	(673)
Additions to reserve for redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	108,944	107,998	107,834	1,146
Changes in scope of consolidation	271	2,883	—	—
Reversal of land revaluation differences	(9,273)	(1,628)	(4,031)	(42)
Net changes in the fiscal year	(25,570)	(42,041)	(12,804)	(136)
Ending balance	378,775	336,733	323,928	3,444
Total funds, reserve and surplus				
Beginning balance	773,347	817,777	875,735	9,311
Changes in the fiscal year				
Issuance of foundation funds	70,000	100,000	100,000	1,063
Additions to policyholders' dividend reserves	(61,602)	(57,466)	(63,345)	(673)
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	108,944	107,998	107,834	1,146
Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Changes in scope of consolidation	271	2,883	—	—
Reversal of land revaluation differences	(9,273)	(1,628)	(4,031)	(42)
Net changes in the fiscal year	44,429	57,958	87,195	927
Ending balance	¥ 817,777	¥ 875,735	¥ 962,931	$10,238

	Millions of yen			Millions of U.S. dollars
	2011	2012	2013	2013
Accumulated other comprehensive income (loss)				
Net unrealized gains (losses) on available-for-sale securities				
Beginning balance	¥ 44,901	¥ (9,729)	¥ 107,364	$ 1,141
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(54,630)	117,093	240,970	2,562
Net changes in the fiscal year	(54,630)	117,093	240,970	2,562
Ending balance	(9,729)	107,364	348,334	3,703
Deferred unrealized gains (losses) on derivatives under hedge accounting				
Beginning balance	243	162	59	0
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(81)	(102)	(59)	(0)
Net changes in the fiscal year	(81)	(102)	(59)	(0)
Ending balance	162	59	—	—
Land revaluation differences				
Beginning balance	(113,537)	(104,263)	(97,069)	(1,032)
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	9,273	7,194	4,031	42
Net changes in the fiscal year	9,273	7,194	4,031	42
Ending balance	(104,263)	(97,069)	(93,037)	(989)
Foreign currency translation adjustments				
Beginning balance	(292)	(393)	(428)	(4)
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(101)	(35)	82	0
Net changes in the fiscal year	(101)	(35)	82	0
Ending balance	(393)	(428)	(345)	(3)
Total accumulated other comprehensive income (losses)				
Beginning balance	(68,684)	(114,223)	9,926	105
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(45,539)	124,150	245,024	2,605
Net changes in the fiscal year	(45,539)	124,150	245,024	2,605
Ending balance	(114,223)	9,926	254,950	2,710
Minority interests				
Beginning balance	—	4,514	4,270	45
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	4,514	(243)	(1,058)	(11)
Net changes in the fiscal year	4,514	(243)	(1,058)	(11)
Ending balance	4,514	4,270	3,212	34
Total net assets				
Beginning balance	704,663	708,068	889,933	9,462
Changes in the fiscal year				
Issuance of foundation funds	70,000	100,000	100,000	1,063
Additions to policyholders' dividend reserves	(61,602)	(57,466)	(63,345)	(673)
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	108,944	107,998	107,834	1,146
Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Changes in scope of consolidation	271	2,883	—	—
Reversal of land revaluation differences	(9,273)	(1,628)	(4,031)	(42)
Net changes, excluding funds, reserve and surplus	(41,024)	123,906	243,965	2,594
Net changes in the fiscal year	3,404	181,864	331,161	3,521
Ending balance	¥ 708,068	¥ 889,933	¥1,221,094	$12,983

Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen 2011	2012	2013	Millions of U.S. dollars 2013
I Cash flows from operating activities				
Surplus before income taxes and minority interests	¥ 131,589	¥ 192,452	¥ 139,124	$ 1,479
Depreciation of real estate for investments	18,463	18,166	16,181	172
Depreciation	14,404	14,884	14,200	150
Impairment losses	8,089	6,427	24,237	257
Increase (Decrease) in reserve for outstanding claims	19,403	(27,240)	1,234	13
Increase (Decrease) in policy reserves	785,070	587,115	1,263,494	13,434
Provision for interest on policyholders' dividend reserves	744	473	448	4
Increase (Decrease) in allowance for possible loan losses	203	(4,083)	(733)	(7)
Increase (Decrease) in accrued retirement benefits	(638)	613	1,413	15
Increase (Decrease) in reserve for price fluctuation	18,805	9	45,112	479
Interest, dividends, and other income	(486,392)	(494,444)	(510,324)	(5,426)
Losses (Gains) on securities	155,325	53,945	(296,749)	(3,155)
Interest expenses	12,978	12,230	9,625	102
Foreign exchange losses (gains)	(185)	(1,167)	20	0
Losses (Gains) on tangible fixed assets	(1,614)	2,566	14,658	155
Investment losses (gains) on equity method	(1,355)	(1,033)	(1,163)	(12)
Decrease (Increase) in due from agents	(94)	(1)	1	0
Decrease (Increase) in reinsurance receivables	80	(26)	18	0
Decrease (Increase) in other assets (excluding those related to investing and financial activities)	69,167	47,968	35,625	378
Increase (Decrease) in reinsurance payables	22	(7)	(21)	(0)
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	13,527	30,882	355,191	3,776
Others, net	4,666	3,255	(375,413)	(3,991)
Subtotal	762,262	442,983	736,183	7,827
Interest, dividends, and other income received	540,041	553,068	572,758	6,089
Interest paid	(13,232)	(12,420)	(11,812)	(125)
Policyholders' dividends paid	(76,896)	(76,129)	(75,806)	(806)
Others, net	(646)	(778)	(614)	(6)
Income taxes paid	(2,970)	(10,568)	(42,828)	(455)
Net cash provided by operating activities	¥ 1,208,559	¥ 896,154	¥ 1,177,880	$ 12,523

		Millions of yen			Millions of U.S. dollars
		2011	2012	2013	2013
II	**Cash flows from investing activities**				
	Net decrease (increase) in deposits	¥ (2,936)	¥ (15,683)	¥ (93,033)	$ (989)
	Purchase of monetary claims bought	(49,342)	(40,910)	(52,799)	(561)
	Proceeds from sales and redemption of monetary claims bought	126,686	80,328	94,510	1,004
	Purchase of securities	(4,642,489)	(4,209,813)	(4,714,350)	(50,126)
	Proceeds from sales and redemption of securities	3,431,018	3,398,945	2,864,233	30,454
	Loans made	(138,001)	(172,779)	(145,203)	(1,543)
	Proceeds from collection of loans	394,429	441,628	354,107	3,765
	Others, net	(321,076)	(345,399)	591,094	6,284
	Total investment activities (IIa)	(1,201,710)	(863,683)	(1,101,441)	(11,711)
	[I+IIa]	[6,848]	[32,471]	[76,438]	[812]
	Purchase of tangible fixed assets	(16,420)	(9,574)	(9,757)	(103)
	Proceeds from sales of tangible fixed assets	20,839	13,182	42,366	450
	Others, net	(6,479)	(7,852)	(7,070)	(75)
	Net cash used in investing activities	(1,203,771)	(867,928)	(1,075,903)	(11,439)
III	**Cash flows from financing activities**				
	Proceeds from issuance of debt	—	—	32	0
	Repayments of debt	—	(50,000)	(135,032)	(1,435)
	Proceeds from issuance of foundation funds	70,000	100,000	100,000	1,063
	Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
	Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
	Others, net	4,279	(254)	(1,060)	(11)
	Net cash provided by (used in) financing activities	10,368	(44,082)	(89,322)	(949)
IV	**Effect of foreign exchange rate changes on cash and cash equivalents**	(9)	(0)	5	0
V	**Net increase (decrease) in cash and cash equivalents**	15,146	(15,857)	12,660	134
VI	**Cash and cash equivalents at the beginning of the year**	45,006	59,760	48,132	511
VII	**Increase (decrease) in cash and cash equivalents due to inclusion (exclusion) of subsidiaries in the consolidation scope**	(392)	4,229	—	—
VIII	**Cash and cash equivalents at the end of the year** (Note 3)	¥ 59,760	¥ 48,132	¥ 60,792	$ 646

Notes to the Consolidated Financial Statements

1. Basis of Presentation

SUMITOMO LIFE INSURANCE COMPANY ("the Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese Insurance Business Act and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles in the respective countries of domicile. 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. In addition, the notes to the consolidated financial statements include the information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at March 31, 2013, which was ¥94.05 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

i) Consolidated subsidiaries

The numbers of consolidated subsidiaries were 4, 13 and 12 as of March 31, 2011, 2012 and 2013, respectively.

The subsidiaries as of March 31, 2013 are listed as follows:

Medicare Life Insurance Co., Ltd. (Japan)
Sumisei Building Management Co., Ltd. (Japan)
Sumisei Bussan K.K. (Japan)
Sumisei Business Service Co., Ltd. (Japan)
Shinjuku Green Building Kanri K.K. (Japan)
SUMISEI Harmony K.K. (Japan)
Sumitomo Life Information Systems Co., Ltd. (Japan)
CSS Co., Ltd. (Japan)
SUMISEI Insurance Service Corporation (Japan)
Izumi Life Designers Co., Ltd. (Japan)
SUMISEI-Support & Consulting Co., Ltd. (Japan)
Sumitomo Life Insurance Agency America, Inc. (U.S.A.)

The following companies have been included in consolidation since the end of the fiscal year ended March 31, 2012, corresponding to enforcement of consolidated solvency margin regulation:

Sumisei Building Management Co., Ltd., Sumisei Bussan K.K., Sumisei Business Service Co., Ltd., Shinjuku Green Building Kanri K.K., SUMISEI Harmony K.K., CSS Co., Ltd., SUMISEI Insurance Service Corporation, SUMISEI- Support & Consulting Co., Ltd. and Sougou Shouken Jimu Service Co., Ltd.

Sougou Shouken Jimu Service Co., Ltd. (Japan) was excluded from the scope of consolidation due to completion of liquidation in the fiscal year ended March 31, 2013.

ii) Affiliates

The numbers of affiliates accounted for by the equity method were 3, 3 and 9 as of March 31, 2011, 2012 and 2013, respectively.

The major affiliates as of March 31, 2013 are listed as follows:

Sumitomo Mitsui Asset Management Company, Limited (Japan)
Nippon Building Fund Management Ltd. (Japan)
Japan Pension Navigator Co., Ltd. (Japan)
Bao Viet Holdings (Vietnam)

Bao Viet Holdings has been included as an affiliate since the end of the fiscal year ended March 31, 2013, corresponding to acquiring its shares.

Certain affiliates, including Japan Pension Service Co., Ltd., are excluded from the scope of equity method because of their immaterial effect, individually and in aggregate, on the consolidated net income and consolidated surplus.

iii) Fiscal year-end of consolidated subsidiaries
The fiscal year-ends of CSS Co., Ltd. and Sumitomo Life Insurance Agency America, Inc are March 25 and December 31, respectively.

The consolidated financial statements include the accounts of such subsidiaries as of their respective fiscal year-ends, with appropriate adjustments made for material transactions occurring between their respective fiscal year-ends and the date of the consolidated financial statements.

iv) Valuation of assets and liabilities of consolidated subsidiaries and affiliates
The Company applies the mark-to-market method.

v) Goodwill on consolidation
Goodwill (including goodwill relating to affiliates) are amortized on a straight-line basis over the period up to 20 years. However, for items that are immaterial, the total amount of goodwill is fully recognized as expenses as incurred.

vi) All the significant intercompany balances and transactions are eliminated in consolidation. In addition, all the material unrealized gains/losses included in assets/liabilities resulting from transactions within the Group are also eliminated.

(2) 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 and bank deposits bearing no interest.

(3) i) Securities

Securities held by the Company are classified and accounted for as follows:

Trading securities are stated at market value at the end of the fiscal year. The cost of trading securities sold is calculated using the moving average method.

Held-to-maturity debt securities are stated at amortized cost and the cost of these securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method.

Policy-reserve-matching bonds (refer to Note 2(4)) are stated at amortized cost in accordance with Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry”, issued by the Japanese Institute of Certified Public Accountants. The cost of these bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

Investments in unconsolidated subsidiaries and affiliated companies (defined in Article 110 Clause 2 of the Insurance Business Act) are stated at cost.

Equity securities with readily determinable market values classified as available-for-sale securities are stated at market value which is determined as the average of the market value during the final month of the fiscal year. Other available-for-sale securities with readily determinable market values are stated at market value at the end of the fiscal year. Available-for-sale securities for which determination of fair value is impracticable are stated mainly at cost.

The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money-held-in-trusts deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of Net Assets in the consolidated balance sheets.

ii) Derivative instruments
Derivatives are stated at fair value.

iii) Hedge accounting
Under accounting principles generally accepted in Japan (“Japanese GAAP”), several hedge accounting models are allowed.

Two fundamental approaches are the deferred hedge method and the fair value hedge method.

Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged item, gains and losses on changes in fair value of the hedging instrument are recognized in earnings together with the corresponding gains or losses of the hedged item attributable to the risk being hedged.

In addition, for certain derivative instruments, exceptional treatments are permitted under Japanese GAAP.

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts are allowed to be translated at the foreign exchange rate stipulated in the forward contracts. Accordingly, the foreign exchange forward contracts used as hedging instruments are not recognized as an asset or liability measured at fair value either at the initial recognition or subsequent reporting dates (the allocation method).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net paid or received under the swap agreements is recognized and included in interest expense or income of hedged items (the exceptional method).

The Company adopts mainly the fair value hedge method or the allocation method to hedge foreign currency risks of assets denominated in foreign currencies.

The Company also adopts the exceptional method to hedge interest rate risk primarily of floating rate loans.

Hedge effectiveness is assessed by comparing the cumulative changes in fair values or cash flows of the hedged item and the hedging instrument.

(4) Policy-reserve-matching bonds

With regard to debt securities held in order to match their duration to the duration of the corresponding subsections - segregated by type of insurance, remaining coverage period and investment policy - of the liabilities provided for future payments of insurance claims in individual insurance, individual annuities and group annuities, the Company classifies those securities as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

(5) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese Yen at the exchange rates prevailing on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese Yen at the exchange rates on the dates of acquisition.

Foreign-currency-denominated debt securities classified as available-for-sale securities, which are exposed to significant foreign exchange rate fluctuations, are translated at the average of exchange rates during the final month of the fiscal year.

(6) Tangible fixed assets

Tangible fixed assets owned by the Company are depreciated as follows:

a. Buildings
Calculated using the straight-line method.

b. Lease assets related to financial leases where ownership is not transferred
Calculated using the straight-line method over the lease period.

c. Other tangible fixed assets
Calculated using the declining-balance method.

From the fiscal year ended March 31, 2013, in accordance with revisions to the Corporate Tax Act, tangible fixed assets acquired on or after April 1, 2012 are accounted for using the straight-line method as stipulated by the revised Corporate Tax Act. The effect of this revision for the year ended March 31, 2013 was immaterial.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:
Buildings 2 to 50 years
Other tangible fixed assets 2 to 20 years

Revaluation of land

The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after revaluation is directly included in Net Assets and presented as Land revaluation differences, net of income taxes which is presented as Deferred tax liabilities for land revaluation in the consolidated balance sheets.

Revaluation method is stipulated in Article 3 Clause 3 of the Act on Revaluation of Land.

Pursuant to the provision of the Act on Revaluation of Land, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2 Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (the "Order")) and appraisal value (detailed in Article 2 Paragraph 5 of the Order) for the revaluation.

The Act on Revaluation of Land requires to disclose the deficiency of the new book value of the land below the market value after revaluation in accordance with Article 10 of the Act on Revaluation of Land. The deficiency of the new book value of the land below the market value after revaluation in accordance with Article 10 of the Act on Revaluation of Land was ¥3,005 million and ¥17,461 million (U.S.$185 million) as of March 31, 2012 and 2013, respectively.

(7) Software

Capitalized software for internal use owned by the Company (included in Intangible fixed assets as of March 31, 2011, 2012 and 2013) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

(8) Lease accounting

Effective April 1, 2008, the Company started to recognize the leased assets and the related obligations for finance lease transactions pursuant to "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13). However, certain finance leases not transferring ownership with the lease terms commenced prior to April 1, 2008 are accounted for as operating leases.

(9) Allowance for possible loan losses

The Company's allowance for possible loan losses is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, "substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collateral and the execution of guarantees. For loans to borrowers that are likely to become bankrupt (hereafter, "borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collateral and by executing guarantees. For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal years ended March 31, 2011, 2012 and 2013 amounted to ¥226 million, ¥570 million and ¥223 million (U.S.$2 million), respectively.

An Allowance for Possible Loan Losses of the consolidated subsidiaries is provided pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.

(10) Accrued retirement benefits

Accrued retirement benefits of the Company are provided based on the projected benefit obligations and pension assets as of the balance sheet date in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits").

(11) Reserve for price fluctuation

Reserve for price fluctuation is calculated pursuant to the provisions of Article 115 of the Insurance Business Act.

(12) Accounting for consumption taxes

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.

(13) Policy reserves

Policy reserves of the Company are provided pursuant to Article 116 of the Insurance Business Act.

Premium reserves, a main component of policy reserves, are calculated according to the following method:

i) For contracts that are subject to the standard policy reserve requirements, the premium reserve is calculated pursuant to the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48, in 1996).

ii) For contracts that are not subject to the standard policy reserve requirements, premium reserve is calculated using the net level premium method.

The Company changed its accounting policy for premium reserves for existing individual annuity contracts whose annuity payments commenced on or after April 1, 2006, effective from the year ended March 31, 2007, as follows:

The difference arising by applying the calculation basis determined by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996) to individual annuity contracts, assuming that the date of commencement of an annuity payment is the date of the annuity contract, has also been provided for by the Company.

The life insurance standard life table 2007 for after commencement of annuity payment is used for the assumed rate of mortality in the above calculation.

(14) Revenue recognition

Insurance premiums are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenues. Unearned insurance premiums are recognized as policy reserves.

(15) Policy acquisition costs

Policy acquisition costs are expensed when incurred.

(16) New accounting standards

"Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21) have been applied from the fiscal year ended March 31, 2011. As a result, tangible fixed assets increased by ¥1,148 million and other liabilities increased ¥1,978 million as of March 31, 2011.

Furthermore, ordinary profit decreased by ¥117 million and surplus before income taxes and minority interests decreased by ¥830 million for the fiscal year ended March 31, 2011.

"Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24) have been applied from the fiscal year ended March 31, 2012.

Due to the revisions to the Ordinance for Enforcement of the Insurance Business Act, reversal of allowance for possible loan losses, which had previously been presented as an extraordinary gain item on the consolidated statements of income, was included in investment income from the fiscal year ended March 31, 2012.

(17) New accounting pronouncements

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced Accounting Standard for Retirement Benefits issued by the Business Accounting Council in 1998 with the effective date of April 1, 2000 and the related practical guidances, being followed by partial amendments from time to time through 2009.

The major changes are as follows:

i) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that have yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between projected benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (accrued retirement benefit) or asset (prepaid pension cost).

ii) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)
The revised accounting standard will not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts will be recognized in profit or loss over a certain period not longer than the expected average remaining service years of the employees. Actuarial gains and losses and past service costs that arose in the current period and have yet to be recognized in profit or loss shall be included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

Financial Data
This accounting standard and the guidance are effective for the annual financial statements for the fiscal years beginning on or after April 1, 2013 with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. Retrospective application of this accounting standard to consolidated financial statements in prior periods is not required or permitted.

The Company expects to apply the revised accounting standard from the end of the fiscal year beginning on April 1, 2013 and is in the process of evaluating the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Cash and deposits	¥121,444	¥127,313	¥ 233,076	$ 2,478
Deposits bearing interest	(61,683)	(79,181)	(172,283)	(1,831)
Cash and cash equivalents	¥ 59,760	¥ 48,132	¥ 60,792	$ 646

4. Financial Instruments

(1) Qualitative information on financial instruments
The Company applies Asset and Liability Management (ALM) with considering characteristics of life insurance liabilities to enhance soundness and profitability of investment returns in mid-to long-term by diversified investments mainly in assets denominated in yen such as bonds and loans, and in stocks within allowable risk limits. In addition, the Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities held by the Company.

Main components of the Company's financial instruments and associated risks are as follows:

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to market risk since certain loans, similarly with bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

Floating rate loans are exposed to interest rate risk.

The Company utilizes foreign currency forward contracts and currency options to hedge foreign currency risks of assets denominated in foreign currencies, futures trading and options to hedge market risks of stocks, bond futures and options to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge floating rate assets. Gains and losses on certain foreign currency contracts used for hedging foreign currency risks of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in fair value of hedged items and hedging instruments.

Gains and losses on certain interest rate swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of hedged items and hedging instruments. When a foreign currency contract meets the criteria for applying the allocation method or when an interest rate swap transaction meets the criteria for applying the exceptional method, hedge effectiveness is not assessed.

The risk management department maintains asset risk management in accordance with Risk Management Policy established by the board of directors. In addition, the Company strives to enhance risk assessment and management quantitatively and comprehensively by defining the framework of risk management about market risk and credit risk of financial instruments and concrete risk management processes pursuant to related regulations. Moreover, the risk management department maintains effective risk management structures by independent monitoring whether trading departments operate in compliance with related policies and rules. The board of directors makes decisions in response to the reports of risk management positions.

In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales. In addition, monitoring of the value fluctuations is conducted on a daily basis to correspond to changes in the fair value of asset and liability portfolio.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial condition of security issuers or counterparties of loans when the Company makes investments, and regularly reviews these ratings. Moreover, the Company manages credit risk by comparing Value-at-Risk (VaR) calculated by Monte Carlo simulations, which are based on the assumptions such as probability of transition for each internal credit rating and expected recovery rate at default, with the limit for credit risk.

(2) Fair value of financial instruments

The following table summarizes the carrying amounts in the consolidated balance sheets and the fair value of financial instruments as of March 31, 2011, 2012 and 2013 together with their differences.

Millions of Yen

As of March 31	2011			2012			2013		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 121,444	¥ 121,444	¥ —	¥ 127,313	¥ 127,313	¥ —	¥ 233,076	¥ 233,076	¥ —
[Available-for-sale securities]*1	[19,999]	[19,999]	—	[33,997]	[33,997]	—	[129,992]	[129,992]	—
Call loans	433,800	433,800	—	375,700	375,700	—	434,100	434,100	—
Monetary claims bought	390,037	391,312	1,274	353,742	355,635	1,892	310,241	312,916	2,675
[Available-for-sale securities]*1	[287,134]	[287,134]	—	[277,249]	[277,249]	—	[257,694]	[257,694]	—
Securities*2	17,421,836	17,627,020	205,184	18,316,758	18,900,072	583,313	21,114,576	22,384,113	1,269,536
Trading securities	2,926,647	2,926,647	—	2,820,578	2,820,578	—	2,859,878	2,859,878	—
Held-to-maturity debt securities	2,097,116	2,091,441	(5,674)	1,991,974	2,060,769	68,794	1,922,648	2,123,708	201,060
Policy-reserve-matching bonds	8,333,155	8,544,014	210,859	9,368,136	9,882,655	514,519	10,862,267	11,936,600	1,074,333
Investments in unconsolidated subsidiaries and affiliated companies	—	—	—	—	—	—	33,173	27,317	(5,856)
Available-for-sale securities	4,064,915	4,064,915	—	4,136,068	4,136,068	—	5,436,608	5,436,608	—
Loans	3,171,361			2,887,447			2,663,423		
Allowance for possible loan losses*3	(7,358)			(3,537)			(2,745)		
	3,164,002	3,264,959	100,956	2,883,909	2,977,256	93,346	2,600,678	2,754,583	93,905
Payables under securities borrowing transactions	488,275	488,275	—	83,609	83,609	—	733,125	733,125	—
Long-term debt	407,500	427,676	20,176	357,500	371,328	13,828	222,500	230,092	7,592
Derivative transactions*4	(31,327)	(31,327)	—	(106,420)	(106,420)	—	(469,505)	(469,505)	—
Hedge accounting not applied	4,347	4,347	—	(13,284)	(13,284)	—	(107,924)	(107,924)	—
Hedge accounting applied	(35,675)	(35,675)	—	(93,136)	(93,136)	—	(361,580)	(361,580)	—

Millions of U.S. Dollars

As of March 31	2013		
	Balance sheet amount	Fair value	Difference
Cash and deposits	$ 2,478	$ 2,478	$ —
[Available-for-sale securities]*1	[1,382]	[1,382]	—
Call loans	4,615	4,615	—
Monetary claims bought	3,298	3,327	28
[Available-for-sale securities]*1	[2,739]	[2,739]	—
Securities*2	224,503	238,002	13,498
Trading securities	30,408	30,408	—
Held-to-maturity debt securities	20,442	22,580	2,137
Policy-reserve-matching bonds	115,494	126,917	11,423
Investments in unconsolidated subsidiaries and affiliated companies	352	290	(62)
Available-for-sale securities	57,805	57,805	—
Loans	28,319		
Allowance for possible loan losses*3	(29)		—
	28,290	29,288	998
Payables under securities borrowing transactions	7,795	7,795	—
Long-term debt	2,365	2,446	80
Derivative transactions*4	(4,992)	(4,992)	—
Hedge accounting not applied	(1,147)	(1,147)	—
Hedge accounting applied	(3,844)	(3,844)	—

*1 Available-for-sale securities are shown in parenthesis.

*2 This table does not include financial instruments for which fair values are not practically determinable such as unlisted securities.
The consolidated balance sheet amounts of these securities were ¥648,566 million, ¥572,755 million and ¥580,648 million (U.S.$6,173 million) as of March 31, 2011, 2012 and 2013, respectively.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loan.

*4 Debits and credits arising from derivative transactions are netted, and the net credit position is shown in parenthesis.

Note. 1: Valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

In principle, the book value is deemed as the fair value.

As for certain deposits regarded as securities pursuant to “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10), fair value is measured based on the closing market price on the balance sheet date.

2) Monetary claims bought

Fair value is based on the closing market price on the balance sheet date.

3) Securities

As for stocks with market prices, fair value is measured based on the average market price during the last month of the fiscal year.

As for the other securities with market prices, fair value is measured based on the closing market price on the balance sheet date.

In addition, as for the bonds with foreign currency forward contracts accounted for by the allocation method, the fair values are approximated with the bonds regarded as assets denominated in yen.

4)Loans

As for policy loans, the book value is deemed as the fair value since the book value approximates the fair value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

As for general loans, the fair value is measured mainly as the present value of estimated future cash flows from the loan. Moreover, as for loans with interest rate swaps accounted for by the exceptional method, the fair values are approximated with integrating the loans and related interest rate swaps.

With regard to loans to debtors that are legally or substantially bankrupt and doubtful debtors, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Payables under securities borrowing transactions

The book value is deemed as the fair value since the fair value approximates the book value.

2) Long-term borrowings

As for the fair value of long-term borrowings, the fair value is measured as the present value of estimated future cash flows.

Derivative transactions

For details on derivative transactions, please refer to Note. 4 below: Fair values of derivative transactions.

Note. 2: Matters related to securities, including certain deposits regarded as securities pursuant to "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10).

The following tables show the carrying amounts in the consolidated balance sheets, the fair value and their differences of held-to-maturity securities and policy-reserve-matching bonds as of March 31, 2011, 2012 and 2013.

1) Held-to-maturity debt securities

	Millions of Yen								
As of March 31	2011			2012			2013		
type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount									
Bonds	¥ 382,032	¥ 394,207	¥ 12,175	¥ 456,861	¥ 473,311	¥16,450	¥ 486,375	¥ 511,969	¥ 25,594
Foreign securities (bonds)	746,127	758,384	12,256	1,369,403	1,423,225	53,821	1,427,051	1,602,849	175,797
Fair value does not exceed the balance sheet amount									
Bonds	135,742	134,366	(1,375)	46,382	45,420	(961)	7,221	6,898	(322)
Foreign securities (bonds)	833,214	804,482	(28,731)	119,326	118,811	(515)	2,000	1,990	(9)
Total	2,097,116	2,091,441	(5,674)	1,991,974	2,060,769	68,794	1,922,648	2,123,708	201,060

	Millions of U.S. Dollars		
As of March 31	2013		
type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	$ 5,171	$ 5,443	$ 272
Foreign securities (bonds)	15,173	17,042	1,869
Fair value does not exceed the balance sheet amount			
Bonds	76	73	(3)
Foreign securities (bonds)	21	21	(0)
Total	20,442	22,580	2,137

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen								
	2011			2012			2013		
type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount									
Bonds	¥6,848,288	¥7,077,215	¥228,926	¥9,163,239	¥9,682,171	¥518,931	¥10,709,223	¥11,780,505	¥1,071,281
Foreign securities (bonds)	116,499	119,827	3,327	93,756	97,531	3,774	103,872	109,130	5,258
Fair value does not exceed the balance sheet amount									
Bonds	1,324,063	1,304,669	(19,394)	69,138	62,825	(6,313)	41,171	39,497	(1,673)
Foreign securities (bonds)	44,303	42,303	(2,000)	42,000	40,126	(1,874)	8,000	7,467	(532)
Total	8,333,155	8,544,014	210,859	9,368,136	9,882,655	514,519	10,862,267	11,936,600	1,074,333

As of March 31	Millions of U.S. Dollars		
	2013		
type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	$113,867	$125,257	$11,390
Foreign securities (bonds)	1,104	1,160	55
Fair value does not exceed the balance sheet amount			
Bonds	437	419	(17)
Foreign securities (bonds)	85	79	(5)
Total	115,494	126,917	11,423

The following tables show the acquisition costs (or amortized costs), the carrying amounts in the consolidated balance sheets and their differences of available-for-sale securities as of March 31, 2011, 2012 and 2013.

3) Available-for-sale securities

As of March 31	Millions of Yen								
	2011			2012			2013		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs									
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—
Monetary claims bought	¥ 275,518	¥ 284,842	¥ 9,323	¥ 254,345	¥ 266,764	¥ 12,418	¥ 223,167	¥ 237,696	¥ 14,528
Bonds	511,726	522,098	10,371	652,896	676,190	23,293	700,820	729,202	28,382
Stocks	387,507	519,288	131,780	316,660	437,953	121,292	492,484	742,523	250,038
Foreign securities	1,002,172	1,024,139	21,966	2,055,996	2,156,848	100,852	3,115,377	3,365,386	250,008
Foreign bonds	991,774	1,013,361	21,587	2,049,153	2,149,661	100,507	3,113,544	3,363,450	249,906
Other foreign securities	10,398	10,777	378	6,842	7,187	345	1,833	1,935	102
Other securities	15,899	19,798	3,899	14,629	18,011	3,382	11,114	21,104	9,990
Balance sheet amount does not exceed acquisition costs or amortized costs									
Negotiable certificates of deposit	20,000	19,999	(0)	34,000	33,997	(2)	130,000	129,992	(7)
Monetary claims bought	2,300	2,291	(8)	10,498	10,484	(13)	19,997	19,997	(0)
Bonds	208,941	205,182	(3,758)	90,608	89,369	(1,238)	68,967	68,695	(271)
Stocks	591,975	456,994	(134,980)	484,106	398,618	(85,488)	277,013	229,570	(47,443)
Foreign securities	1,347,933	1,299,468	(48,465)	356,215	341,184	(15,031)	267,624	263,331	(4,293)
Foreign bonds	1,331,653	1,284,913	(46,740)	343,808	331,030	(12,778)	260,106	256,979	(3,127)
Other foreign securities	16,280	14,555	(1,725)	12,407	10,153	(2,253)	7,517	6,351	(1,166)
Other securities	22,502	17,945	(4,556)	22,522	17,893	(4,629)	19,002	16,793	(2,208)
Total	4,386,479	4,372,049	(14,429)	4,292,480	4,447,314	154,834	5,325,570	5,824,294	498,723

As of March 31	Millions of U.S. Dollars		
	2013		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs			
Negotiable certificates of deposit	—	—	—
Monetary claims bought	$ 2,372	$ 2,527	$ 154
Bonds	7,451	7,753	301
Stocks	5,236	7,894	2,658
Foreign securities	33,124	35,782	2,658
Foreign bonds	33,105	35,762	2,657
Other foreign securities	19	20	1
Other securities	118	224	106
Balance sheet amount does not exceed acquisition costs or amortized costs			
Negotiable certificates of deposit	1,382	1,382	(0)
Monetary claims bought	212	212	(0)
Bonds	733	730	(2)
Stocks	2,945	2,440	(504)
Foreign securities	2,845	2,799	(45)
Foreign bonds	2,765	2,732	(33)
Other foreign securities	79	67	(12)
Other securities	202	178	(23)
Total	56,624	61,927	5,302

Note. 3: Maturity analysis of monetary claims, securities with maturities and other liabilities

Scheduled redemptions of monetary claims and securities with maturities and other liabilities

As of March 31, 2011	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	¥120,414	¥ 205	¥ —	¥ —
Call loans	433,800	—	—	—
Monetary claims bought	31,002	30,951	6,211	313,495
Securities	412,463	2,681,869	3,097,890	7,164,856
Held-to-maturity debt securities	108,740	506,016	298,545	1,167,000
Policy-reserve-matching bonds	171,186	1,329,478	1,002,456	5,809,547
Available-for-sale securities	132,536	846,374	1,796,888	188,308
Loans	398,881	1,155,777	993,149	124,780
Payables under securities borrowing transactions	488,275	—	—	—
Long-term debt	—	20,000	50,000	—

As of March 31, 2012	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	¥127,012	¥ —	¥ —	¥ —
Call loans	375,700	—	—	—
Monetary claims bought	28,852	13,069	1,858	297,981
Securities	524,723	3,127,496	2,416,773	8,278,203
Held-to-maturity debt securities	148,731	414,819	246,848	1,163,817
Policy-reserve-matching bonds	214,426	1,554,377	678,677	6,888,536
Available-for-sale securities	161,565	1,158,298	1,491,247	225,849
Loans	308,141	1,163,036	827,502	110,189
Payables under securities borrowing transactions	83,609	—	—	—
Long-term debt	—	20,000	—	—

As of March 31, 2013	Millions of Yen				Millions of U.S. Dollars			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	¥232,834	¥ —	¥ —	¥ —	$2,475	$ —	$ —	$ —
Call loans	434,100	—	—	—	4,615	—	—	—
Monetary claims bought	25,960	8,016	1,516	260,521	276	85	16	2,770
Securities	758,032	3,219,407	2,899,760	9,935,390	8,059	34,230	30,832	105,639
Held-to-maturity debt securities	155,231	283,115	256,737	1,208,677	1,650	3,010	2,729	12,851
Policy-reserve-matching bonds	360,421	1,379,372	635,072	8,439,776	3,832	14,666	6,752	89,737
Available-for-sale securities	242,379	1,556,920	2,007,950	286,937	2,577	16,554	21,349	3,050
Loans	292,920	1,171,384	631,599	104,085	3,114	12,454	6,715	1,106
Payables under securities borrowing transactions	733,125	—	—	—	7,795	—	—	—
Long-term debt	—	20,000	—	—	—	212	—	—

The table above excludes certain financial instruments for which estimation of the value of recovery is impractica-ble, such as loans to debtors that are legally or substantially bankrupt and doubtful debtors, and those without maturities.

Note. 4: Fair values of derivative transactions

(i) Interest-rate related

1) Hedge accounting not applied

As of March 31, 2011

Type	Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —
Receipts floating, payments fixed	34,500	34,500	(169)	(169)
Total				(169)

As of March 31, 2012

Type	Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —
Receipts floating, payments fixed	34,500	34,500	(250)	(250)
Total				(250)

As of March 31, 2013

Type	Millions of Yen				Millions of U.S. Dollars			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —	$ —
Receipts floating, payments fixed	34,500	34,500	(228)	(228)	366	366	(2)	(2)
Total				(228)				(2)

*1. Net gains (losses) represent the fair values.

*2. The fair values of certain interest rate swaps accounted for by the exceptional method are included in the fair values of related loans since they are accounted for with considering them as integrated transactions.

2) Hedge accounting applied

As of March 31, 2011

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
	Interest rate swap				
Deferred hedge method	Receipts fixed, payments floating	Loans	¥15,176	¥10,000	¥ 254
	Receipts floating, payments fixed		—	—	—
Exceptional method	Receipts fixed, payments floating	Loans	65,714	61,969	2,856
	Receipts floating, payments fixed		1,848	464	(6)
Total					3,105

As of March 31, 2012

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
	Interest rate swap				
Deferred hedge method	Receipts fixed, payments floating	Loans	¥10,000	¥ —	¥ 89
	Receipts floating, payments fixed		—	—	—
Exceptional method	Receipts fixed, payments floating	Loans	62,369	58,142	2,877
	Receipts floating, payments fixed		464	62	(1)
Total					2,966

As of March 31, 2013

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Millions of U.S. Dollars: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
	Interest rate swap							
Deferred hedge method	Receipts fixed, payments floating	—	¥ —	¥ —	¥ —	$ —	$ —	$—
	Receipts floating, payments fixed		—	—	—	—	—	—
Exceptional method	Receipts fixed, payments floating	Loans	58,342	51,576	2,607	620	548	27
	Receipts floating, payments fixed		62	—	(0)	0	—	(0)
Total					2,606			27

(ii) Currency-related
1) Hedge accounting not applied

As of March 31, 2011	Millions of Yen			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥938,374	¥54,060	¥(16,924)	¥(16,924)
(U.S. dollar)	557,963	54,060	1,939	1,939
(Euro)	365,884	—	(17,903)	(17,903)
(Australian dollar)	14,394	—	(959)	(959)
Bought	182,942	—	7,554	7,554
(Euro)	106,706	—	5,714	5,714
(U.S. dollar)	76,135	—	1,838	1,838
Currency options				
Sold				
Call	8,400	—		
	[56]		57	(0)
(Australian dollar)	—	—		
	[—]		—	—
(U.S. dollar)	8,400	—		
	[56]		57	(0)
Put	8,000	—		
	[62]		15	46
(U.S. dollar)	8,000	—		
	[62]		15	46
Bought				
Call	—	—		
	[—]		—	—
(Australian dollar)	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Put	47,707	39,707		
	[6,375]		8,289	1,914
(U.S. dollar)	47,707	39,707		
	[6,375]		8,289	1,914
Total				(7,410)

As of March 31, 2012	Millions of Yen			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥767,930	¥32,179	¥(33,644)	¥(33,644)
(U.S. dollar)	289,502	—	(7,612)	(7,612)
(Euro)	251,282	—	(8,073)	(8,073)
(Australian dollar)	225,522	32,179	(17,963)	(17,963)
Bought	28,274	—	(178)	(178)
(Euro)	5,012	—	(27)	(27)
(U.S. dollar)	22,592	—	(149)	(149)
Currency options				
Sold				
Call	—	—		
	[—]		—	—
(Australian dollar)	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Put	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Bought				
Call	333,000	—		
	[4,219]		7,738	3,519
(Australian dollar)	90,000	—		
	[1,105]		488	(616)
(U.S. dollar)	243,000	—		
	[3,113]		7,249	4,136
Put	39,707	39,707		
	[6,304]		6,967	662
(U.S. dollar)	39,707	39,707		
	[6,304]		6,967	662
Total				(29,641)

Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
As of March 31, 2013								
Foreign currency forward contracts								
Sold	¥739,882	¥54,342	¥(104,122)	¥(104,122)	$7,866	$577	$(1,107)	$(1,107)
(U.S. dollar)	286,107	—	(29,561)	(29,561)	3,042	—	(314)	(314)
(Euro)	229,860	—	(30,532)	(30,532)	2,444	—	(324)	(324)
(Australian dollar)	223,165	54,342	(44,023)	(44,023)	2,372	577	(468)	(468)
Bought	18,068	—	17	17	192	—	0	0
(Euro)	14,353	—	24	24	152	—	0	0
(U.S. dollar)	3,175	—	(6)	(6)	33	—	(0)	(0)
Currency options								
Sold								
Call	91,500	—			972	—		
	[1,936]		4,494	(2,558)	[20]		47	(27)
(Australian dollar)	46,750	—			497	—		
	[909]		2,205	(1,296)	[9]		23	(13)
(U.S. dollar)	44,750	—			475	—		
	[1,027]		2,289	(1,261)	[10]		24	(13)
Put	—	—	—	—	—	—		
	[—]		—	—	[—]		—	—
(U.S. dollar)	—	—			—	—		
	[—]				[—]		—	—
Bought								
Call	186,000	—			1,977	—		
	[1,985]		6,332	4,346	[21]		67	46
(Australian dollar)	95,000	—			1,010	—		
	[941]		3,097	2,155	[10]		32	22
(U.S. dollar)	91,000	—			967	—		
	[1,043]		3,234	2,191	[11]		34	23
Put	116,876	29,789			1,242	316		
	[6,611]		2,087	(4,523)	[70]		22	(48)
(U.S. dollar)	116,876	29,789			1,242	316		
	[6,611]		2,087	(4,523)	[70]		22	(48)
Total				(106,840)				(1,135)

*1. Option fees are shown in [ ].

*2. Net gains (losses) represent the fair values for foreign currency forward contracts and the differences between the option fees and the fair values for option transactions.

*3. The fair values of foreign currency forward contracts accounted for by the allocation method are included in the fair values of related securities since they are accounted for with considering them as integrated transactions.

2) Hedge accounting applied

As of March 31, 2011

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Millions of Yen: Over 1 year included in (A)	Millions of Yen: Fair value
Fair value hedge method	Foreign currency forward contracts				
	Sold	Foreign-currency-denominated assets	¥1,558,182	¥491,281	¥(35,929)
	(Euro)		709,294	165,218	(27,604)
	(U.S. dollar)		504,134	49,454	2,032
	(Australian dollar)		276,608	276,608	(10,037)
Allocation method	Sold	Foreign-currency-denominated assets	375,692	337,692	31,918
	(Australian dollar)		177,973	177,973	2,370
	(U.S. dollar)		197,719	159,719	29,548
Total					(4,011)

As of March 31, 2012

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Millions of Yen: Over 1 year included in (A)	Millions of Yen: Fair value
Fair value hedge method	Foreign currency forward contracts				
	Sold	Foreign-currency-denominated assets	¥1,569,215	¥457,857	¥(93,225)
	(Euro)		580,503	74,982	(29,556)
	(U.S. dollar)		506,742	—	(18,968)
	(Australian dollar)		416,395	382,875	(38,969)
Allocation method	Sold	Foreign-currency-denominated assets	322,528	256,055	13,953
	(Australian dollar)		165,699	165,699	(8,618)
	(U.S. dollar)		156,829	90,355	22,571
Total					(79,272)

As of March 31, 2013

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Millions of Yen: Over 1 year included in (A)	Millions of Yen: Fair value	Millions of U.S. Dollars: Notional amount/ contract value (A)	Millions of U.S. Dollars: Over 1 year included in (A)	Millions of U.S. Dollars: Fair value
Fair value hedge method	Foreign currency forward contracts							
	Sold	Foreign-currency-denominated assets	¥2,337,014	¥493,538	¥(361,580)	$24,848	$5,247	$(3,844)
	(Euro)		966,711	83,267	(124,583)	10,278	885	(1,324)
	(U.S. dollar)		650,745	70,964	(86,070)	6,919	754	(915)
	(Australian dollar)		644,385	339,306	(150,518)	6,851	3,607	(1,600)
Allocation method	Sold	Foreign-currency-denominated assets	247,713	132,568	(40,658)	2,633	1,409	(432)
	(Australian dollar)		158,224	100,187	(41,552)	1,682	1,065	(441)
	(U.S. dollar)		89,489	32,381	894	951	344	9
Total					(402,239)			(4,276)

(iii) Stock-related

1) Hedge accounting not applied

As of March 31, 2011

Classification	Type	Millions of Yen			
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	4,668	—	105	105
Over-the-counter transactions	Stock index options				
	Sold				
	Put	—	—		
		[—]		—	—
	Bought				
	Put	233,625	34,000		
		[12,434]		5,530	(6,904)
Total					(6,798)

As of March 31, 2012

Classification	Type	Millions of Yen			
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ 16,019	¥ —	¥ (6)	¥ (6)
	Bought	30,379	—	1,726	1,726
Over-the-counter transactions	Stock index options				
	Sold				
	Put	—	—		
		[—]		—	—
	Bought				
	Put	183,400	34,000		
		[11,203]		3,650	(7,553)
Total					(5,832)

As of March 31, 2013

Classification	Type	Millions of Yen				Millions of U.S. Dollars			
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures								
	Sold	¥303,340	¥ —	¥(6,029)	¥ (6,029)	$3,225	$ —	$(64)	$ (64)
	Bought	9,845	—	55	55	104	—	0	0
Over-the-counter transactions	Stock index options								
	Sold								
	Put	2,499	1,399			26	14		
		[53]		49	3	[0]		0	0
	Bought								
	Put	82,600	27,000			878	287		
		[7,383]		929	(6,454)	[78]		9	(68)
Total					(12,424)				(132)

*1. Option fees are shown in [ ].
*2. Net gains (losses) represent the fair values for futures trading and the difference between the option fees and the fair values for option transactions.

2) Hedge accounting applied

No ending balance as of March 31, 2011, 2012 and 2013.

(iv) Bond-related

1) Hedge accounting not applied

As of March 31, 2011

Classification	Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures				
	Sold	¥ —	¥—	¥—	¥ —
Over-the-counter transactions	Bond OTC options				
	Sold Call	43,751	—		
		[126]		63	63
	Bought Put	40,327	—		
		[346]		97	(249)
Total					(186)

As of March 31, 2012

Classification	Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures				
	Sold	¥85,203	¥—	¥ 49	¥ 49
Over-the-counter transactions	Bond OTC options				
	Sold Call	78,077	—		
		[1,175]		699	476
	Bought Put	78,077	—		
		[1,421]		1,362	(59)
Total					465

As of March 31, 2013

Classification	Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures								
	Sold	¥173,228	¥—	¥(2,421)	¥(2,421)	$1,841	$—	$(25)	$(25)
Over-the-counter transactions	Bond OTC options								
	Sold Call	—	—			—	—		
		[—]		—	—	[—]		—	—
	Bought Put	—	—			—	—		
		[—]		—	—	[—]		—	—
Total					(2,421)				(25)

*1. Option fees are shown in [ ].
*2. Net gains (losses) represent the fair values for futures trading, the difference between the option fees and the fair values for option transactions.

2) Hedge accounting applied

No ending balance as of March 31, 2011, 2012 and 2013.

5. Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥709,540 million, ¥680,254 million and ¥598,930 million (U.S. $6,368 million), and their fair values were ¥686,813 million, ¥654,357 million and ¥562,038 million (U.S. $5,975 million) as of March 31, 2011, 2012 and 2013, respectively. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers. Asset retirement obligations for certain investment and rental properties were established as other liabilities in the amounts of ¥1,556 million, ¥1,565 million and ¥1,603 million (U.S. $17 million) as of March 31, 2011, 2012 and 2013, respectively.

6. Securities Lending

Securities loaned under security lending agreements amounted to ¥476,429 million, ¥153,445 million and ¥1,125,386 million (U.S. $11,965 million) as of March 31, 2011, 2012 and 2013, respectively.

7. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥481,419 million, ¥489,090 million and ¥479,269 million (U.S. $5,095 million) as of March 31, 2011, 2012 and 2013, respectively.

8. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥3,087,203 million, ¥3,010,983 million and ¥3,078,182 million (U.S. $32,729 million) as of March 31, 2011, 2012 and 2013, respectively. The amounts of separate account liabilities were the same as these figures.

9. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Balance at the beginning of the fiscal year	¥336,273	¥321,724	¥303,534	$3,227
Transfer from surplus in the previous fiscal year	61,602	57,466	63,345	673
Dividend payments to policyholders during the fiscal year	(76,896)	(76,129)	(75,806)	(806)
Interest accrued during the fiscal year	744	473	448	4
Balance at the end of the fiscal year	¥321,724	¥303,534	¥291,521	$3,099

10. Accrued Retirement Benefits

The following table sets forth the status of accrued retirement benefits for the Company's defined benefit plans at March 31, 2011, 2012 and 2013:

(1) Projected benefit obligation

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
a. Projected benefit obligation	¥(316,356)	¥(314,213)	¥(307,439)	$(3,268)
b. Plan assets at fair value	207,825	213,405	235,827	2,507
[Plan assets held in retirement benefit trust (Included in the above plan assets)]	[84,547]	[81,790]	[93,872]	[998]
c. Net projected benefit obligation (a+b)	(108,531)	(100,808)	(71,612)	(761)
d. Unrecognized actuarial losses	103,178	92,316	56,472	600
e. Unrecognized past service costs	(206)	(103)	—	—
f. Net value on the balance sheets (c+d+e)	(5,559)	(8,595)	(15,139)	(160)
g. Prepaid pension cost	14,918	12,477	7,314	77
h. Accrued retirement benefits (f-g)	¥ (20,478)	¥ (21,072)	¥ (22,453)	$ (238)

(2) Assumptions used in calculation
Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
Method of attributing benefits to period of service	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected long-term rates of return on plan assets:			
Defined benefit pension plans	2.0%	1.0%	0.5%
Retirement benefit trust	0.0%	0.0%	0.0%
Amortization period for actuarial losses (Commencing in the following year after they are incurred)	8 years	8 years	8 years
Amortization period for past service cost	3 years	3 years	3 years

(3) Retirement benefit expenses
Retirement benefit expenses of the Company for the years ended March 31, 2011, 2012 and 2013 are comprised of the following:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
a. Service costs	¥11,342	¥11,858	¥11,472	$121
b. Interest cost on projected benefit obligation	6,329	6,327	6,284	66
c. Expected return on plan assets	(2,395)	(1,232)	(658)	(6)
d. Amortization of actuarial losses	14,641	15,596	18,564	197
e. Amortization of past service costs	(103)	(103)	(103)	(1)
f. Retirement benefit expenses (a+b+c+d+e)	¥29,814	¥32,445	¥35,559	$378

11. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

12. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserves for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

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 amounts of ¥59,000 million, ¥90,000 million and ¥50,000 million (U.S. $531 million) as of March 31, 2011, 2012 and 2013, respectively.

The Company offered foundation funds in the amount of ¥70,000 million, ¥100,000 million and ¥100,000 million (U.S.$1,063 million) pursuant to Article 60 of the Insurance Business Act in the years ended March 31, 2011, 2012 and 2013, respectively.

13. Pledged Assets

Assets pledged as collateral were securities in the amounts of ¥498,774 million, ¥492,054 million and ¥528,444 million (U.S. $5,618 million) as of March 31, 2011, 2012 and 2013, respectively.

14. Investments in Unconsolidated Subsidiaries and Affiliates

Total amounts of investments in unconsolidated subsidiaries and affiliates as of March 31, 2011, 2012 and 2013 were ¥14,420 million, ¥13,077 million and ¥43,242 million (U.S. $459 million), respectively.

15. Loans

The aggregate amounts of risk-monitored loans, which were comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥7,318 million, ¥2,095 million and ¥1,739 million (U.S. $18 million) as of March 31, 2011, 2012 and 2013, respectively.

The aggregate amounts of loans to bankrupt borrowers were ¥7 million, nil and nil, and loans in arrears were ¥6,943 million, ¥1,763 million and ¥1,444 million (U.S. $15 million) as of March 31, 2011, 2012 and 2013, respectively. The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2011, 2012 and 2013 were ¥54 million, ¥49 million and ¥42 million (U.S. $0 million) for loans in arrears, respectively.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikeliness of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons (“non-accrual loans”) and also meet the conditions stipulated in Article 96 Paragraph 1 Item 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as “borrowers substantially bankrupt” or “borrowers likely to become bankrupt” in the self-assessment of asset quality.

The amounts of loans in arrears for three months or longer were ¥6 million, ¥3 million and ¥0 million (U.S. $0 million) at March 31, 2011, 2012 and 2013, respectively.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date.

Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥361 million, ¥328 million and ¥294 million (U.S. $3 million) as of March 31, 2011, 2012 and 2013, respectively.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

16. Loan Commitments

The amounts of loan commitments outstanding were ¥3,602 million, ¥2,832 million and ¥8,172 million (U.S. $86 million) as of March 31, 2011, 2012 and 2013, respectively.

17. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥46,210 million, ¥45,420 million and ¥44,852 million (U.S. $476 million) as of March 31, 2011, 2012 and 2013, respectively, pursuant to Article 259 of the Insurance Business Act.

These contributions are recognized as operating expenses when they are made.

18. Impairment of Fixed Assets

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

Accumulated impairment losses on fixed assets are directly deducted from the total asset amounts of their respective asset categories.

(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 investment and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized
For the years ended March 31, 2011, 2012 and 2013, the Company recognized impairment losses on real estate for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

(3) Details of fixed assets causing impairment losses

		Millions of Yen			Millions of U.S. dollars
Asset Group	Asset Categories	2011	2012	2013	2013
Real estate for investment	Land and buildings	¥7,517	¥5,437	¥23,037	$244
Idle assets	Land and buildings	511	986	1,191	12
Total		¥8,029	¥6,423	¥24,228	$257

(4) The recoverable amount
The recoverable amounts of real estate for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Net realizable value is calculated based on an estimated selling value, appraisal value based on Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated net future cash flows discounted at 5.0%.

19. Deferred Taxes

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

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Deferred tax assets	¥350,453	¥289,710	¥323,100	$3,435
Valuation allowance for deferred tax assets	9,587	9,334	13,492	143
Subtotal	340,865	280,375	309,607	3,291
Deferred tax liabilities	20,559	69,056	174,738	1,857
Net deferred tax assets/(liabilities)	320,306	211,319	134,869	1,434

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

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Deferred tax assets				
Policy reserves and other reserves	¥176,461	¥147,662	¥158,077	$1,680
Reserve for price fluctuation	58,363	49,612	63,472	674
Accrued retirement benefits	44,475	41,144	42,334	450
Deferred tax liabilities:				
Net unrealized gains/(losses) on available-for-sale securities	—	47,694	154,657	1,644

(2) The effective income tax rates were 36.15%, 36.15% and 33.28% for the years ended March 31, 2011, 2012 and 2013, respectively. Main factors in the differences between the effective income tax rates and the actual income tax rates after considering deferred tax rates were as follows:

	2011	2012	2013
Policyholders' dividend reserves	(16.0)%	(11.8)%	(14.9)%
Effects of changes in the income tax rate	—	21.0%	—

(3) Following the promulgation of "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) on December 2,2011, the statutory tax rate applied to measure deferred tax assets and liabilities will be lowered gradually and a special restoration surtax will be imposed for fiscal years beginning on and after April 1, 2012. As a result of these changes, the effective income tax rates which are used to measure deferred tax assets and liabilities, will be changed from 36.15% to 33.28% for temporary differences that are expected to be reversed during the fiscal years beginning within the period from April 1, 2012 to March 31, 2015 and changed to 30.73% for the temporary differences that are expected to be reversed in the fiscal years beginning on and after April 1, 2015.

Due to these changes, as of March 31, 2012, deferred tax assets and deferred tax liabilities for land revaluation decreased by ¥32,056 million and ¥5,325 million, respectively, and income taxes—deferred increased by ¥40,421 million.

20. Subordinated Debt

As of March 31, 2011, 2012 and 2013, other liabilities included subordinated debt of ¥407,500 million, ¥357,500 million and ¥222,500 million (U.S. $2,365 million), respectively, the repayments of which are subordinated to other obligations.

21. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2012 and 2013 were as follows:

Reclassification adjustments and income tax effects relating to other comprehensive income were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2012	2013	2013
Net unrealized gains on available-for-sale securities:			
Amount arising during the fiscal year	¥ 97,535	¥ 357,173	$3,797
Reclassification adjustments	72,878	(9,098)	(96)
Before income tax effect adjustments	170,413	348,075	3,700
Income tax effects	(53,193)	(106,965)	(1,137)
Net unrealized gains on available-for-sale securities	117,219	241,109	2,563
Deferred unrealized gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥ (11)	¥ 7	$ 0
Reclassification adjustments	(153)	(96)	(1)
Before income tax effect adjustments	(165)	(89)	(0)
Income tax effects	62	29	0
Deferred unrealized gains (losses) on derivatives under hedge accounting	(102)	(59)	(0)
Land revaluation differences:			
Amount arising during the fiscal year	¥ —	¥ —	$ —
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	5,565	—	—
Land revaluation differences	5,565	—	—
Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥ (35)	¥ 82	$ 0
Reclassification adjustments	—	—	—
Before income tax effect adjustments	(35)	82	0
Income tax effects	—	—	—
Foreign currency translation adjustments	(35)	82	0
Share of other comprehensive income of associates accounted for by the equity method:			
Amount arising during the year	¥ (12)	¥ 107	$ 1
Reclassification adjustments	(0)	7	0
Share of other comprehensive income of associates accounted for by the equity method	(13)	114	1
Total other comprehensive income	¥122,634	¥ 241,247	$2,565

The components for other comprehensive income for the year ended March 31, 2011 were not required to be disclosed by the Japanese Insurance Business Act.

The company applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25) from the fiscal year ended March 31, 2011.

The company is required to make disclosure about comprehensive income and other comprehensive income for the year ended March 31, 2010 according to the standard.

Comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen
	2010
Comprehensive income attributable to the Parent Company	¥319,067
Comprehensive income attributable to minority interests	—
Total	¥319,067

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of Yen
	2010
Net unrealized gains on available-for-sale securities, net of tax	¥207,055
Deferred unrealized gains on derivatives under hedge accounting	92
Foreign currency translation adjustments	10
Share of other comprehensive income of associates accounted for under the equity method	35

22. Investment Income and Expenses

Major components of gains on sales of securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Domestic bonds including national government bonds	¥11,974	¥ 928	¥15,757	$167
Domestic stocks	14,027	10,273	712	7
Foreign securities	2,721	30,786	16,919	179

Major components of losses on sales of securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Domestic bonds including national government bonds	¥ 1,115	¥ 1,704	¥ 16	$ 0
Domestic stocks	15,604	24,004	5,355	56
Foreign securities	40,918	22,735	4,708	50

Major components of losses on valuation of securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Domestic stocks	¥22,586	¥64,912	¥13,318	$141
Foreign securities	27,040	2,208	—	—

Major components of gains (losses) on trading securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Interest and dividend income	¥ —	¥ 34	¥ 61	$ 0
Gains (Losses) on sales of securities	(528)	(434)	1,082	11
Gains (Losses) on valuation	378	13	(13)	(0)

Gains or losses on derivative financial instruments, net, included net valuation gains of ¥7,758 million, losses of ¥44,545 million and losses of ¥100,678 million (U.S. $1,070 million) for the years ended March 31, 2011, 2012 and 2013, respectively.

23. Subsequent Events

The proposed appropriation of surplus of the Company for the fiscal year ended March 31, 2013 was approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2013.

Non-Consolidated Balance Sheets

As of March 31	Millions of yen 2011	2012	2013	Millions of U.S. dollars 2013
ASSETS:				
Cash and deposits (Note 3)				
Cash	¥ 825	¥ 301	¥ 257	$ 2
Deposits	109,312	108,267	215,914	2,295
Subtotal	110,138	108,569	216,171	2,298
Call loans (Note 3)	433,800	375,700	434,100	4,615
Monetary claims bought (Note 3)	390,037	353,742	310,241	3,298
Securities (Notes 3, 5, 14 and 15)				
National government bonds	7,313,434	8,391,908	10,207,390	108,531
Local government bonds	293,927	249,653	186,550	1,983
Corporate bonds	2,911,883	2,947,650	2,737,691	29,108
Domestic stocks	1,656,284	1,438,948	1,592,060	16,927
Foreign securities	5,139,553	5,092,508	6,194,039	65,859
Other securities	753,548	722,717	698,109	7,422
Subtotal	18,068,631	18,843,387	21,615,840	229,833
Loans (Notes 3, 16 and 17)				
Policy loans	373,873	359,161	344,392	3,661
Industrial and consumer loans	2,797,488	2,528,286	2,319,031	24,657
Subtotal	3,171,361	2,887,447	2,663,423	28,319
Tangible fixed assets (Notes 4, 6 and 22)				
Land	534,540	523,574	481,596	5,120
Buildings	405,160	378,693	327,685	3,484
Lease assets	613	1,257	4,241	45
Construction in progress	1,102	1,341	532	5
Other tangible fixed assets	7,965	6,646	5,379	57
Subtotal	949,381	911,513	819,435	8,712
Intangible fixed assets				
Software	13,043	14,987	17,214	183
Other intangible fixed assets	10,797	10,963	10,324	109
Subtotal	23,841	25,950	27,539	292
Due from agents	3	5	3	0
Reinsurance receivables	187	214	195	2
Other assets				
Accounts receivable	38,454	37,162	41,803	444
Prepaid expenses	62,611	46,157	32,505	345
Accrued income	99,097	97,605	116,930	1,243
Money on deposit	4,807	4,368	4,238	45
Deposits for futures transactions	42	2,622	11,037	117
Derivative financial instruments (Note 3)	38,538	26,119	14,081	149
Suspense	7,874	10,814	9,498	100
Other assets	25,920	22,034	12,776	135
Subtotal	277,346	246,887	242,871	2,582
Deferred tax assets (Note 23)	319,829	210,683	134,607	1,431
Customers' liabilities under acceptances and guarantees	440	3,000	3,000	31
Allowance for possible loan losses	(8,127)	(4,057)	(3,324)	(35)
Total assets	¥23,736,871	¥23,963,043	¥26,464,107	$281,383

	Millions of yen			Millions of U.S. dollars
	2011	2012	2013	2013
LIABILITIES:				
Policy reserves and other reserves				
Reserve for outstanding claims (Note 18)	¥ 128,789	¥ 101,514	¥ 102,631	$ 1,091
Policy reserves (Note 18)	21,147,790	21,686,794	22,914,837	243,645
Policyholders' dividend reserves (Note 9)	321,724	303,534	291,521	3,099
Subtotal	21,598,303	22,091,844	23,308,990	247,836
Reinsurance payables	144	136	115	1
Other liabilities				
Payables under securities borrowing transactions (Note 3)	488,275	83,609	733,125	7,795
Loans payable (Notes 3 and 25)	407,500	357,500	222,500	2,365
Income taxes payable	2,256	19,775	42,085	447
Accounts payable	67,312	22,692	34,245	364
Accrued expenses	38,445	40,844	44,769	476
Deferred income	2,595	2,362	2,153	22
Deposits received	51,634	52,697	54,025	574
Guarantee deposits received	48,307	46,116	42,220	448
Borrowed securities	—	484	—	—
Derivative financial instruments (Note 3)	69,865	132,540	483,586	5,141
Cash collateral received for financial instruments	33,165	2,295	—	—
Lease obligations	629	1,282	4,235	45
Asset retirement obligations	1,960	1,972	2,007	21
Suspense receipts	5,452	8,423	10,876	115
Subtotal	1,217,400	772,596	1,675,830	17,818
Accrued retirement benefits (Note 11)	20,478	21,072	22,453	238
Reserve for price fluctuation	161,447	161,447	206,547	2,196
Deferred tax liabilities for land revaluation	36,610	30,083	27,927	296
Acceptances and guarantees	440	3,000	3,000	31
Total liabilities	23,034,824	23,080,181	25,244,865	268,419
NET ASSETS:				
Foundation funds (Note 13)	210,000	220,000	270,000	2,870
Reserve for redemption of foundation funds (Note 13)	229,000	319,000	369,000	3,923
Reserve for revaluation	2	2	2	0
Surplus:	376,971	334,004	326,588	3,472
Reserve for future losses	4,004	4,204	4,404	46
Other surplus	372,966	329,800	322,183	3,425
Reserve for fund redemption	104,500	54,000	45,600	484
Fund for price fluctuation allowance	165,000	165,000	165,000	1,754
Reserve for assisting social responsibility	1,548	1,469	1,555	16
Other reserves	223	223	223	2
Unappropriated surplus	101,694	109,107	109,804	1,167
Total funds, reserve and surplus	815,973	873,007	965,590	10,266
Net unrealized gains (losses) on available-for-sale securities	(9,825)	106,864	346,688	3,686
Deferred unrealized gains on derivatives under hedge accounting	162	59	—	—
Land revaluation differences	(104,263)	(97,069)	(93,037)	(989)
Total unrealized gains(losses), revaluation reserve and adjustments	(113,926)	9,855	253,650	2,696
Total net assets	702,047	882,862	1,219,241	12,963
Total liabilities and net assets	¥23,736,871	¥23,963,043	¥26,464,107	$281,383

Non-Consolidated Statements of Income

	Millions of yen			Millions of U.S. dollars
Years ended March 31	2011	2012	2013	2013
ORDINARY INCOME:				
Insurance premiums and other				
Insurance premiums	¥2,998,823	¥2,589,857	¥3,140,241	$33,389
Reinsurance revenue	559	555	582	6
Other income to policy reserves	3,701	3,920	3,952	42
Subtotal	3,003,084	2,594,334	3,144,777	33,437
Investment income (Note 20)				
Interest, dividends and other income	487,430	495,045	510,613	5,429
Interest on deposits	27	35	38	0
Interest and dividends on securities	349,113	367,059	390,445	4,151
Interest on loans	68,623	63,727	59,252	630
Rent revenue from real estate	60,247	55,876	53,662	570
Other interest and dividend	9,417	8,345	7,215	76
Gains on trading securities	—	—	1,131	12
Gains on sales of securities	28,723	41,988	33,389	355
Gains on redemption of securities	824	912	—	—
Gains on derivative financial instruments	15,374	—	—	—
Foreign exchange gains	182	1,162	—	—
Reversal of allowance for possible loan losses	—	3,687	719	7
Other investment income	450	617	1,140	12
Investment gains on separate accounts	—	69,676	347,626	3,696
Subtotal	532,985	613,090	894,622	9,512
Other ordinary income				
Annuity supplementary contract premiums	14,260	15,444	18,244	193
Proceeds from deferred insurance	86,027	77,367	68,849	732
Reversal of reserves for outstanding claims (Note 21)	—	27,274	—	—
Reversal of accrued retirement benefits	1,650	—	—	—
Other ordinary income	9,336	10,917	11,656	123
Subtotal	111,274	131,003	98,750	1,049
Total ordinary income	3,647,344	3,338,428	4,138,150	43,999
ORDINARY EXPENSES:				
Benefits and other payments				
Claims paid	614,706	605,552	569,528	6,055
Annuity payments	300,377	311,299	357,460	3,800
Benefits payments	411,261	390,343	389,603	4,142
Surrender benefits	573,826	509,110	514,594	5,471
Other refunds	97,998	77,385	108,160	1,150
Reinsurance premiums	831	834	776	8
Subtotal	¥1,999,001	¥1,894,524	¥1,940,123	$20,628

	Millions of yen			Millions of U.S. dollars
	2011	2012	2013	2013
Provision for policy reserves and other reserves				
Provision for reserve for outstanding claims (Note 21)	¥ 19,403	¥ —	¥ 1,116	$ 11
Provision for policy reserves (Note 21)	778,153	539,004	1,228,042	13,057
Provision for interest on policyholders' dividend reserves (Note 9)	744	473	448	4
Subtotal	798,301	539,478	1,229,607	13,073
Investment expenses (Note 20)				
Interest expenses	12,978	12,230	9,624	102
Losses on trading securities	150	386	—	—
Losses on sales of securities	57,638	48,443	10,080	107
Losses on valuation of securities	49,626	67,120	13,318	141
Losses on derivative financial instruments	—	48,787	171,867	1,827
Foreign exchange losses	—	—	20	0
Depreciation of real estate for investments	18,463	18,166	16,181	172
Other investment expenses	18,724	18,710	16,454	174
Investment losses on separate accounts	23,783	—	—	—
Subtotal	181,366	213,845	237,548	2,525
Operating expenses (Note 19)	374,484	351,315	362,449	3,853
Other ordinary expenses				
Payments of benefits left to accumulate at interest	96,122	90,814	90,666	964
Taxes	22,475	20,037	22,068	234
Depreciation	14,111	14,541	13,799	146
Provision for accrued retirement benefits	—	3,035	6,544	69
Other ordinary expenses	6,159	6,776	7,025	74
Subtotal	138,868	135,205	140,104	1,489
Total ordinary expenses	3,492,022	3,134,370	3,909,833	41,571
Ordinary profit	155,321	204,057	228,316	2,427
Extraordinary gains				
Gains on disposals of fixed assets	8,517	4,735	13,160	139
Reversal of allowance for possible loan losses	1,131	—	—	—
Subtotal	9,649	4,735	13,160	139
Extraordinary losses				
Losses on disposals of fixed assets	3,517	6,610	26,293	279
Impairment losses (Note 22)	8,029	6,423	24,228	257
Provision for reserve for price fluctuation	18,800	—	45,100	479
Loss on reduction of noncurrent assets	—	13	—	—
Payments to social responsibility reserve	646	778	614	6
Losses from change in accounting standard for asset retirement obligation	689	—	—	—
Subtotal	31,682	13,825	96,236	1,023
Surplus before income taxes	133,288	194,967	145,240	1,544
Income taxes (Note 23)				
Current	10,462	29,734	64,461	685
Deferred	12,503	55,276	(32,442)	(344)
Total income taxes	22,966	85,010	32,018	340
Net surplus	¥ 110,322	¥ 109,956	¥ 113,222	$ 1,203

Non-Consolidated Statements of Changes in Net Assets

	Millions of yen			Millions of U.S. dollars
Years ended March 31	2011	2012	2013	2013
Funds, reserve and surplus				
Foundation funds (Note 13)				
Beginning balance	¥199,000	¥210,000	¥ 220,000	$ 2,339
Changes in the fiscal year				
Issuance of foundation funds	70,000	100,000	100,000	1,063
Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Net changes in the fiscal year	11,000	10,000	50,000	531
Ending balance	210,000	220,000	270,000	2,870
Reserve for redemption of foundation funds (Note 13)				
Beginning balance	170,000	229,000	319,000	3,391
Changes in the fiscal year				
Additions to reserve for redemption of foundation funds	59,000	90,000	50,000	531
Net changes in the fiscal year	59,000	90,000	50,000	531
Ending balance	229,000	319,000	369,000	3,923
Reserve for revaluation				
Beginning balance	2	2	2	0
Changes in the fiscal year				
Net changes in the fiscal year	—	—	—	—
Ending balance	2	2	2	0
Surplus				
Reserve for future losses				
Beginning balance	3,804	4,004	4,204	44
Changes in the fiscal year				
Additions to reserve for future losses	200	200	200	2
Net changes in the fiscal year	200	200	200	2
Ending balance	4,004	4,204	4,404	46
Other surplus				
Reserve for fund redemption				
Beginning balance	131,500	104,500	54,000	574
Changes in the fiscal year				
Additions to reserve for fund redemption	32,000	39,500	41,600	442
Reversal of reserve for fund redemption	(59,000)	(90,000)	(50,000)	(531)
Net changes in the fiscal year	(27,000)	(50,500)	(8,400)	(89)
Ending balance	104,500	54,000	45,600	484
Fund for price fluctuation allowance				
Beginning balance	165,000	165,000	165,000	1,754
Changes in the fiscal year				
Net changes in the fiscal year	—	—	—	—
Ending balance	165,000	165,000	165,000	1,754
Reserve for assisting social response				
Beginning balance	1,494	1,548	1,469	15
Changes in the fiscal year				
Additions to reserve for assisting social response	700	700	700	7
Reversal of reserve for assisting social response	(646)	(778)	(614)	(6)
Net changes in the fiscal year	53	(78)	85	0
Ending balance	1,548	1,469	1,555	16
Other reserves				
Beginning balance	223	223	223	2
Changes in the fiscal year				
Net changes in the fiscal year	—	—	—	—
Ending balance	¥ 223	¥ 223	¥ 223	$ 2

	Millions of yen			Millions of U.S. dollars
	2011	2012	2013	2013
Unappropriated surplus				
Beginning balance	¥ 99,412	¥101,694	¥ 109,107	$ 1,160
Changes in the fiscal year				
Additions to policyholders' dividend reserves (Note 9)	(61,602)	(57,466)	(63,345)	(673)
Additions to reserve future losses	(200)	(200)	(200)	(2)
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	110,322	109,956	113,222	1,203
Additions to reserve for fund redemption	(32,000)	(39,500)	(41,600)	(442)
Additions to reserve for assisting social response	(700)	(700)	(700)	(7)
Reversal of reserve for assisting social response	646	778	614	6
Reversal of land revaluation differences	(9,273)	(1,628)	(4,031)	(42)
Net changes in the fiscal year	2,281	7,412	697	7
Ending balance	101,694	109,107	109,804	1,167
Total surplus				
Beginning balance	401,435	376,971	334,004	3,551
Changes in the fiscal year				
Additions to policyholders' dividend reserves	(61,602)	(57,466)	(63,345)	(673)
Additions to reserve for future losses	—	—	—	—
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	110,322	109,956	113,222	1,203
Additions to reserve for fund redemption	—	—	—	—
Reversal of reserve for fund redemption	(59,000)	(90,000)	(50,000)	(531)
Additions to reserve for assisting social response	—	—	—	—
Reversal of reserve for assisting social response	—	—	—	—
Reversal of land revaluation differences	(9,273)	(1,628)	(4,031)	(42)
Net changes in the fiscal year	(24,464)	(42,966)	(7,416)	(78)
Ending balance	376,971	334,004	326,588	3,472
Total funds, reserve and surplus				
Beginning balance	770,438	815,973	873,007	9,282
Changes in the fiscal year				
Issuance of foundation funds	70,000	100,000	100,000	1,063
Additions to policyholders' dividend reserves	(61,602)	(57,466)	(63,345)	(673)
Additions to reserve for future losses	—	—	—	—
Additions to reserve for redemption of foundation funds	59,000	90,000	50,000	531
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	110,322	109,956	113,222	1,203
Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Additions to reserve for fund redemption	—	—	—	—
Reversal of reserve for fund redemption	(59,000)	(90,000)	(50,000)	(531)
Additions to reserve for assisting social response	—	—	—	—
Reversal of reserve for assisting social response	—	—	—	—
Reversal of land revaluation differences	(9,273)	(1,628)	(4,031)	(42)
Net changes in the fiscal year	45,535	57,033	92,583	984
Ending balance	¥815,973	¥873,007	¥ 965,590	$10,266

Years ended March 31	Millions of yen 2011	Millions of yen 2012	Millions of yen 2013	Millions of U.S. dollars 2013
Unrealized gains (losses), revaluation reserve				
Net unrealized gains (losses) on available-for-sale securities				
Beginning balance	¥ 44,576	¥ (9,825)	¥ 106,864	$ 1,136
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(54,402)	116,689	239,823	2,549
Net changes in the fiscal year	(54,402)	116,689	239,823	2,549
Ending balance	(9,825)	106,864	346,688	3,686
Deferred unrealized gains (losses) on derivatives under hedge accounting				
Beginning balance	243	162	59	0
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(81)	(102)	(59)	(0)
Net changes in the fiscal year	(81)	(102)	(59)	(0)
Ending balance	162	59	—	—
Land revaluation differences				
Beginning balance	(113,537)	(104,263)	(97,069)	(1,032)
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	9,273	7,194	4,031	42
Net changes in the fiscal year	9,273	7,194	4,031	42
Ending balance	(104,263)	(97,069)	(93,037)	(989)
Total unrealized gains (losses), revaluation reserve				
Beginning balance	(68,716)	(113,926)	9,855	104
Changes in the fiscal year				
Net changes, excluding funds, reserve and surplus	(45,209)	123,781	243,795	2,592
Net changes in the fiscal year	(45,209)	123,781	243,795	2,592
Ending balance	(113,926)	9,855	253,650	2,696
Total net assets				
Beginning balance	701,721	702,047	882,862	9,387
Changes in the fiscal year				
Issuance of foundation funds	70,000	100,000	100,000	1,063
Additions to policyholders' dividend reserves	(61,602)	(57,466)	(63,345)	(673)
Additions to reserve for future losses	—	—	—	—
Additions to reserve for redemption of foundation funds	59,000	90,000	50,000	531
Payment of interest on foundation funds	(4,910)	(3,828)	(3,261)	(34)
Net surplus	110,322	109,956	113,222	1,203
Redemption of foundation funds	(59,000)	(90,000)	(50,000)	(531)
Additions to reserve for fund redemption	—	—	—	—
Reversal of reserve for fund redemption	(59,000)	(90,000)	(50,000)	(531)
Additions to reserve for assisting social response	—	—	—	—
Reversal of reserve for assisting social response	—	—	—	—
Reversal of revaluation reserve for land	(9,273)	(1,628)	(4,031)	(42)
Net changes, excluding funds, reserve and surplus	(45,209)	123,781	243,795	2,592
Net changes in the fiscal year	326	180,814	336,379	3,576
Ending balance	¥ 702,047	¥ 882,862	¥1,219,241	$12,963

Non-Consolidated Proposed Appropriation of Surplus

	Millions of yen			Millions of U.S. dollars
Years ended March 31	2011	2012	2013	2013
Unappropriated of surplus	¥101,694	¥109,107	¥109,804	$1,167
Appropriation of surplus (Note 26)	101,694	109,107	109,804	1,167
Provision for policyholders' dividend reserves	57,466	63,345	58,330	620
Net surplus	44,228	45,761	51,474	547
Reserve for future losses	200	200	200	2
Interest on foundation funds	3,828	3,261	3,574	38
Voluntary surplus reserves:	40,200	42,300	47,700	507
Reserve for fund redemption	39,500	41,600	47,000	499
Reserve for assisting social responsibility	¥ 700	¥ 700	¥ 700	$ 7

Notes to the Non-Consolidated Financial Statements

1. Basis of Presentation

SUMITOMO LIFE INSURANCE COMPANY ("the Company") has prepared the accompanying non-consolidated financial statements in accordance with the provisions set forth in the Japanese Insurance Business Act and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than 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. In addition, the notes to the non-consolidated financial statements include the information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at March 31, 2013, which was ¥94.05 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) i) Securities
Securities held by the Company are classified and accounted for as follows:

Trading securities are stated at market value at the end of the fiscal year. The cost of trading securities sold is calculated using the moving average method.

Held-to-maturity debt securities are stated at amortized cost and the cost of these securities sold is calculated using the moving average method. Amortization is calculated using the straight-line method.

Policy-reserve-matching bonds (refer to Note. 2 (2)) are stated at amortized cost in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance", issued by the Japanese Institute of Certified Public Accountants. The cost of these bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

Investments in subsidiaries and affiliated companies (defined in Article 110 Clause 2 of the Insurance Business Act) are stated at cost.

Equity securities with readily determinable market values classified as available-for-sale securities are stated at market value which is determined as the average of the market value during the final month of the fiscal year. Other available-for-sale securities with readily determinable market values are stated at market value at the end of the fiscal year. Available-for-sale securities for which determination of fair value is impracticable are stated mainly at cost.

The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money-held-in-trusts deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of Net Assets in the non-consolidated balance sheets.

ii) Derivative instruments
Derivatives are stated at fair value.

iii) Hedge accounting
Under accounting principles generally accepted in Japan ("Japanese GAAP"), several hedge accounting models are allowed.

Two fundamental approaches are the deferred hedge method and the fair value hedge method.

Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged item, gains and losses on changes in fair value of the hedging instrument are recognized in earnings together with the corresponding gains or losses of the hedged item attributable to the risk being hedged.

In addition, for certain derivative instruments, exceptional treatments are permitted under Japanese GAAP.

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts are allowed to be translated at the foreign exchange rate stipulated in the forward contracts. Accordingly, the foreign exchange forward contracts used as hedging instruments are not recognized as an asset or liability measured at fair value either at the initial recognition or subsequent reporting dates (the allocation method).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net paid or received under the swap agreements is recognized and included in interest expense or income of hedged items (the exceptional method).

The Company adopts mainly the fair value hedge method or the allocation method to hedge foreign currency risks of assets denominated in foreign currencies.

The Company also adopts the exceptional method to hedge interest rate risk primarily of floating rate loans.

Hedge effectiveness is assessed by comparing the cumulative changes in fair values or cash flows of the hedged item and the hedging instrument.

(2) Policy-reserve-matching bonds

With regard to debt securities held in order to match their duration to the duration of the corresponding subsections - segregated by type of insurance, remaining coverage period and investment policy - of the liabilities provided for future payments of insurance claims in individual insurance, individual annuities and group annuities, the Company classifies those securities as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry”, issued by the Japanese Institute of Certified Public Accountants.

(3) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for investments in subsidiaries and affiliates, are translated into Japanese Yen at the exchange rates prevailing on the balance sheet date. Investments in subsidiaries and affiliates are translated into Japanese Yen at the exchange rates on the dates of acquisition.

Foreign-currency-denominated debt securities classified as available-for-sale securities, which are exposed to significant foreign exchange rate fluctuations, are translated at the average of exchange rates during the final month of the fiscal year.

(4) Tangible fixed assets

Tangible fixed assets owned by the Company are depreciated as follows:

a. Buildings
Calculated using the straight-line method.

b. Lease assets related to financial leases where ownership is not transferred
Calculated using the straight-line method over the lease period.

c. Other tangible fixed assets
Calculated using the declining-balance method.

From the fiscal year ended March 31, 2013, in accordance with revisions to the Corporate Tax Act, tangible fixed assets acquired on or after April 1, 2012 are accounted for using the straight-line method as stipulated by the revised Corporate Tax Act. The effect of this revision for the year ended March 31, 2013 was immaterial.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:
Buildings 2 to 50 years
Other tangible fixed assets 2 to 20 years

Revaluation of land

The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after revaluation is directly included in Net Assets and presented as Land revaluation differences, net of income taxes which is presented as Deferred tax liabilities for land revaluation in the non-consolidated balance sheets.

Revaluation method is stipulated in Article 3 Clause 3 of the Act on Revaluation of Land.

Pursuant to the provision of the Act on Revaluation of Land, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2 Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (the "Order")) and appraisal value (detailed in Article 2 Paragraph 5 of the Order) for the revaluation.

The Act on Revaluation of Land requires to disclose the deficiency of the new book value of the land below the market value after revaluation in accordance with Article 10 of the Act on Revaluation of Land. The deficiency of the new book value of the land below the market value after revaluation in accordance with Article 10 of the Act on Revaluation of Land was ¥3,005 million and ¥17,461 million (U.S.$185 million) as of March 31, 2012 and 2013, respectively.

(5) Software

Capitalized software for internal use owned by the Company (included in Intangible fixed assets as of March 31, 2011, 2012 and 2013) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

(6) Lease accounting

Effective April 1, 2008, the Company started to recognize the leased assets and the related obligations for finance lease transactions pursuant to "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13). However, certain finance leases not transferring ownership with the lease terms commenced prior to April 1, 2008 are accounted for as operating leases.

(7) Allowance for possible loan losses

The Company's allowance for possible loan losses is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, "substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collateral and the execution of guarantees. For loans to borrowers that are likely to become bankrupt (hereafter, "borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collateral and by executing guarantees. For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal years ended March 31, 2011, 2012 and 2013 amounted to ¥226 million, ¥570 million and ¥223 million (U.S.$2 million), respectively.

(8) Accrued retirement benefits

Accrued retirement benefits of the Company are provided based on the projected benefit obligations and pension assets as of the balance sheet date in accordance with the accounting standards for retirement benefits ("Statement on Establishing Accounting Standards for Retirement Benefits").

(9) Reserve for price fluctuation

Reserve for price fluctuation is calculated pursuant to the provisions of Article 115 of the Insurance Business Act.

(10) Accounting for consumption taxes

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.

(11) Policy reserves

Policy reserves of the Company are provided pursuant to Article 116 of the Insurance Business Act.

Premium reserves, a main component of policy reserves, are calculated according to the following method:

i) For contracts that are subject to the standard policy reserve requirements, the premium reserve is calculated pursuant to the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48, in 1996).

ii) For contracts that are not subject to the standard policy reserve requirements, premium reserve is calculated using the net level premium method.

The Company changed its accounting policy for premium reserves for existing individual annuity contracts whose annuity payments commenced on or after April 1, 2006, effective from the year ended March 31, 2007, as follows:

The difference arising by applying the calculation basis determined by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996) to individual annuity contracts, assuming that the date of commencement of an annuity payment is the date of the annuity contract, has also been provided for by the Company.

The life insurance standard life table 2007 for after commencement of annuity payment is used for the assumed rate of mortality in the above calculation.

(12) Revenue recognition

Insurance premiums are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenues. Unearned insurance premiums are recognized as policy reserves.

(13) Policy acquisition costs

Policy acquisition costs are expensed when incurred.

(14) New accounting standards

"Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21) have been applied from the fiscal year ended March 31, 2011. As a result, tangible fixed assets increased by ¥1,133 million and asset retirement obligations increased ¥1,960 million as of March 31, 2011.

Furthermore, ordinary profit decreased by ¥139 million and surplus before income taxes decreased by ¥827 million for the fiscal year ended March 31, 2011.

"Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24) have been applied from the fiscal year ended March 31, 2012.

Due to the revisions to the Ordinance for Enforcement of the Insurance Business Act, reversal of allowance for possible loan losses, which had previously been presented as an extraordinary gain item on the non-consolidated statements of income, was included in investment income from the fiscal year ended March 31, 2012.

(15) New accounting pronouncements

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced Accounting Standard for Retirement Benefits issued by the Business Accounting Council in 1998 with the effective date of April 1, 2000 and the related practical guidances, being followed by partial amendments from time to time through 2009.

This accounting standard and the guidance are effective for the annual financial statements for the fiscal years beginning on or after April 1, 2013 with earlier application being permitted from the beginning of fiscal years beginning on or after April 1, 2013. Retrospective application of this accounting standard to non-consolidated financial statements in prior periods is not required or permitted.

The Company expects to apply the revised accounting standard from the end of the fiscal year beginning on April 1, 2013 and is in the process of evaluating the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. Financial Instruments

(1) Qualitative information on financial instruments
The Company applies Asset and Liability Management (ALM) with considering characteristics of life insurance liabilities to enhance soundness and profitability of investment returns in mid-to long-term by diversified investments mainly in assets denominated in yen such as bonds and loans, and in stocks within allowable risk limits. In addition, the Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities held by the Company.

Main components of the Company's financial instruments and associated risks are as follows:

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to market risk since certain loans, similarly with bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

Floating rate loans are exposed to interest rate risk.

The Company utilizes foreign currency forward contracts and currency options to hedge foreign currency risks of assets denominated in foreign currencies, futures trading and options to hedge market risks of stocks, bond futures and options to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge floating rate assets. Gains and losses on certain foreign currency contracts used for hedging foreign currency risks of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in fair value of hedged items and hedging instruments.

Gains and losses on certain interest rate swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of hedged items and hedging instruments. When a foreign currency contract meets the criteria for applying the allocation method or when an interest rate swap transaction meets the criteria for applying the exceptional method, hedge effectiveness is not assessed.

The risk management department maintains asset risk management in accordance with Risk Management Policy established by the board of directors. In addition, the Company strives to enhance risk assessment and management quantitatively and comprehensively by defining the framework of risk management about market risk and credit risk of financial instruments and concrete risk management processes pursuant to related regulations. Moreover, the risk management department maintains effective risk management structures by independent monitoring whether trading departments operate in compliance with related policies and rules. The board of directors makes decisions in response to the reports of risk management positions.

In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales. In addition, monitoring of the value fluctuations is conducted on a daily basis to correspond to changes in the fair value of asset and liability portfolio.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial condition of security issuers or counterparties of loans when the Company makes investments, and regularly reviews these ratings. Moreover, the Company manages credit risk by comparing Value-at-Risk (VaR) calculated by Monte Carlo simulations, which are based on the assumptions such as probability of transition for each internal credit rating and expected recovery rate at default, with the limit for credit risk.

(2) Fair value of financial instruments

The following table summarizes the carrying amounts in the non-consolidated balance sheets and the fair value of financial instruments as of March 31, 2011, 2012 and 2013 together with their differences.

As of March 31	Millions of Yen								
	2011			2012			2013		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 110,138	¥ 110,138	¥ —	¥ 108,569	¥ 108,569	¥ —	¥ 216,171	¥ 216,171	¥ —
[Available-for-sale securities]*1	[19,999]	[19,999]	—	[33,997]	[33,997]	—	[129,992]	[129,992]	—
Call loans	433,800	433,800	—	375,700	375,700	—	434,100	434,100	—
Monetary claims bought	390,037	391,312	1,274	353,742	355,635	1,892	310,241	312,916	2,675
[Available-for-sale securities]*1	[287,134]	[287,134]	—	[277,249]	[277,249]	—	[257,694]	[257,694]	—
Securities*2	17,394,597	17,599,757	205,160	18,238,854	18,821,877	583,022	21,002,970	22,269,625	1,266,654
Trading securities	2,926,647	2,926,647	—	2,820,578	2,820,578	—	2,859,878	2,859,878	—
Held-to-maturity debt securities	2,095,625	2,089,927	(5,698)	1,961,880	2,030,383	68,503	1,874,597	2,072,776	198,178
Policy-reserve-matching bonds	8,333,155	8,544,014	210,859	9,368,136	9,882,655	514,519	10,862,267	11,936,600	1,074,333
Investments in subsidiaries and affiliated companies	—	—	—	—	—	—	33,173	27,317	(5,856)
Available-for-sale securities	4,039,167	4,039,167	—	4,088,259	4,088,259	—	5,373,052	5,373,052	—
Loans	3,171,361			2,887,447			2,663,423		
Allowance for possible loan losses*3	(7,358)			(3,537)			(2,745)		
	3,164,002	3,264,959	100,956	2,883,909	2,977,256	93,346	2,660,678	2,754,583	93,905
Payables under securities borrowing transactions	488,275	488,275	—	83,609	83,609	—	733,125	733,125	—
Long-term debt	407,500	427,676	20,176	357,500	371,328	13,828	222,500	230,092	7,592
Derivative transactions*4	(31,327)	(31,327)	—	(106,420)	(106,420)	—	(469,505)	(469,505)	—
Hedge accounting not applied	4,347	4,347	—	(13,284)	(13,284)	—	(107,924)	(107,924)	—
Hedge accounting applied	(35,675)	(35,675)	—	(93,136)	(93,136)	—	(361,580)	(361,580)	—

As of March 31	Millions of U.S. Dollars		
	2013		
	Balance sheet amount	Fair value	Difference
Cash and deposits	$ 2,298	$ 2,298	$ —
[Available-for-sale securities]*1	[1,382]	[1,382]	—
Call loans	4,615	4,615	—
Monetary claims bought	3,298	3,327	28
[Available-for-sale securities]*1	[2,739]	[2,739]	—
Securities*2	223,317	236,784	13,467
Trading securities	30,408	30,408	—
Held-to-maturity debt securities	19,931	22,039	2,107
Policy-reserve-matching bonds	115,494	126,917	11,423
Investments in unconsolidated subsidiaries and affiliates companies	352	290	(62)
Available-for-sale securities	57,129	57,129	—
Loans	28,319		
Allowance for possible loan losses*3	(29)		
	28,290	29,288	998
Payables under securities borrowing transactions	7,795	7,795	—
Long-term debt	2,365	2,446	80
Derivative transactions*4	(4,992)	(4,992)	—
Hedge accounting not applied	(1,147)	(1,147)	—
Hedge accounting applied	(3,844)	(3,844)	—

*1 Available-for-sale securities are shown in parenthesis.

*2 This table does not include financial instruments for which fair values are not practically determinable such as unlisted securities.
The non-consolidated balance sheet amounts of these securities were ¥674,034 million, ¥604,532 million and ¥612,870 million (U.S.$6,516 million) as of March 31, 2011, 2012 and 2013, respectively.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loan.

*4 Debits and credits arising from derivative transactions are netted, and the net credit position is shown in parenthesis.

Note. 1: Valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

In principle, the book value is deemed as the fair value. As for certain deposits regarded as securities pursuant to "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10), fair value is measured based on the closing market price on the balance sheet date.

2) Monetary claims bought

Fair value is based on the closing market price on the balance sheet date.

3) Securities

As for stocks with market prices, fair value is measured based on the average market price during the last month of the fiscal year.

As for the other securities with market prices, fair value is measured based on the closing market price on the balance sheet date.

In addition, as for the bonds with foreign currency forward contracts accounted for by the allocation method, the fair values are approximated with the bonds regarded as assets denominated in yen.

4) Loans

As for policy loans, the book value is deemed as the fair value since the book value approximates the fair value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

As for general loans, the fair value is measured mainly as the present value of estimated future cash flows from the loan. Moreover, as for loans with interest rate swaps accounted for by the exceptional method, the fair values are approximated with integrating the loans and related interest rate swaps.

With regard to loans to debtors that are legally or substantially bankrupt and doubtful debtors, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Payables under securities borrowing transactions

The book value is deemed as the fair value since the fair value approximates the book value.

2) Long-term borrowings

As for the fair value of long-term borrowings, the fair value is measured as the present value of estimated future cash flows.

Derivative transactions

For details on derivative transactions, please refer to Note. 4 below: Fair values of derivative transactions.

Note. 2: Matters related to securities, including certain deposits regarded as securities pursuant to "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10).

The following tables show the carrying amounts in the consolidated balance sheets, the fair value and their differences of held-to-maturity securities and policy-reserve-matching bonds as of March 31, 2011, 2012 and 2013.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen								
	2011			2012			2013		
type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount									
Bonds	¥ 380,719	¥ 392,871	¥ 12,151	¥ 434,645	¥ 450,796	¥ 16,150	¥ 440,024	¥ 462,736	¥ 22,711
Foreign securities (bonds)	746,127	758,384	12,256	1,369,403	1,423,225	53,821	1,427,051	1,602,849	175,797
Fair value does not exceed the balance sheet amount									
Bonds	135,564	134,188	(1,375)	38,504	37,550	(953)	5,521	5,199	(321)
Foreign securities (bonds)	833,214	804,482	(28,731)	119,326	118,811	(515)	2,000	1,990	(9)
Total	2,095,625	2,089,927	(5,698)	1,961,880	2,030,383	68,503	1,874,597	2,072,776	198,178

As of March 31	Millions of U.S. Dollars		
	2013		
type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	$ 4,678	$ 4,920	$ 241
Foreign securities (bonds)	15,173	17,042	1,869
Fair value does not exceed the balance sheet amount			
Bonds	58	55	(3)
Foreign securities (bonds)	21	21	(0)
Total	19,931	22,039	2,107

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen								
	2011			2012			2013		
type	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount									
Bonds	¥6,848,288	¥7,077,215	¥228,926	¥9,163,239	¥9,682,171	¥518,931	¥10,709,223	¥11,780,505	¥1,071,281
Foreign securities (bonds)	116,499	119,827	3,327	93,756	97,531	3,774	103,872	109,130	5,258
Fair value does not exceed the balance sheet amount									
Bonds	1,324,063	1,304,669	(19,394)	69,138	62,825	(6,313)	41,171	39,497	(1,673)
Foreign securities (bonds)	44,303	42,303	(2,000)	42,000	40,126	(1,874)	8,000	7,467	(532)
Total	8,333,155	8,544,014	210,859	9,368,136	9,882,655	514,519	10,862,267	11,936,600	1,074,333

As of March 31	Millions of U.S. Dollars		
	2013		
type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount			
Bonds	$113,867	$125,257	$11,390
Foreign securities (bonds)	1,104	1,160	55
Fair value does not exceed the balance sheet amount			
Bonds	437	419	(17)
Foreign securities (bonds)	85	79	(5)
Total	115,494	126,917	11,423

The following tables show the acquisition costs (or amortized costs), the carrying amounts in the non-consolidated balance sheets and their differences of available-for-sale securities as of March 31, 2011, 2012 and 2013.

3) Available-for-sale securities

Millions of Yen

As of March 31	2011			2012			2013		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs									
Negotiable certificates of deposit	—	—	—	—	—	—	—	—	—
Monetary claims bought	¥ 275,518	¥ 284,842	¥ 9,323	¥ 254,345	¥ 266,764	¥ 12,418	¥ 223,167	¥ 237,696	¥ 14,528
Bonds	492,753	502,964	10,211	612,075	634,468	22,392	646,146	671,787	25,641
Stocks	387,498	519,255	131,757	316,576	437,830	121,254	492,400	742,382	249,981
Foreign securities	1,002,172	1,024,139	21,966	2,055,996	2,156,848	100,852	3,115,377	3,365,386	250,008
Foreign bonds	991,774	1,013,361	21,587	2,049,153	2,149,661	100,507	3,113,544	3,363,450	249,906
Other foreign securities	10,398	10,777	378	6,842	7,187	345	1,833	1,935	102
Other securities	15,899	19,798	3,899	14,629	18,011	3,382	11,114	21,104	9,990
Balance sheet amount does not exceed acquisition costs or amortized costs									
Negotiable certificates of deposit	20,000	19,999	(0)	34,000	33,997	(2)	130,000	129,992	(7)
Monetary claims bought	2,300	2,291	(8)	10,498	10,484	(13)	19,997	19,997	(0)
Bonds	202,405	198,653	(3,752)	84,642	83,404	(1,238)	62,967	62,696	(271)
Stocks	591,920	456,941	(134,978)	484,106	398,618	(85,488)	277,013	229,570	(47,443)
Foreign securities	1,347,933	1,299,468	(48,465)	356,215	341,184	(15,031)	267,624	263,331	(4,293)
Foreign bonds	1,331,653	1,284,913	(46,740)	343,808	331,030	(12,778)	260,106	256,979	(3,127)
Other foreign securities	16,280	14,555	(1,725)	12,407	10,153	(2,253)	7,517	6,351	(1,166)
Other securities	22,502	17,945	(4,556)	22,522	17,893	(4,629)	19,002	16,793	(2,208)
Total	4,360,904	4,346,301	(14,603)	4,245,609	4,399,505	153,896	5,264,813	5,760,738	495,925

Millions of U.S. Dollars

As of March 31	2013		
Type	Acquisition costs or amortized costs	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition costs or amortized costs			
Negotiable certificates of deposit	—	—	—
Monetary claims bought	$ 2,372	$ 2,527	$ 154
Bonds	6,870	7,142	272
Stocks	5,235	7,893	2,657
Foreign securities	33,124	35,782	2,658
Foreign bonds	33,105	35,762	2,657
Other foreign securities	19	20	1
Other securities	118	224	106
Balance sheet amount does not exceed acquisition costs or amortized costs			
Negotiable certificates of deposit	1,382	1,382	(0)
Monetary claims bought	212	212	(0)
Bonds	669	666	(2)
Stocks	2,945	2,440	(504)
Foreign securities	2,845	2,799	(45)
Foreign bonds	2,765	2,732	(33)
Other foreign securities	79	67	(12)
Other securities	202	178	(23)
Total	55,978	61,251	5,272

Note. 3: Maturity analysis of monetary claims, securities with maturities and other liabilities

Scheduled redemptions of monetary claims and securities with maturities and other liabilities

As of March 31, 2011	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	¥109,313	¥ —	¥ —	¥ —
Call loans	433,800	—	—	—
Monetary claims bought	31,002	30,951	6,211	313,495
Securities	408,467	2,673,285	3,088,525	7,160,325
Held-to-maturity debt securities	108,740	505,338	297,745	1,167,000
Policy-reserve-matching bonds	171,186	1,329,478	1,002,456	5,809,547
Available-for-sale securities	128,540	838,468	1,788,323	183,777
Loans	398,881	1,155,777	993,149	124,780
Payables under securities borrowing transactions	488,275	—	—	—
Long-term debt	—	20,000	50,000	—

As of March 31, 2012	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	¥108,270	¥ —	¥ —	¥ —
Call loans	375,700	—	—	—
Monetary claims bought	28,852	13,069	1,858	297,981
Securities	514,995	3,116,044	2,403,177	8,237,582
Held-to-maturity debt securities	147,053	412,979	245,950	1,138,414
Policy-reserve-matching bonds	214,426	1,554,377	678,677	6,888,536
Available-for-sale securities	153,515	1,148,687	1,478,549	210,632
Loans	308,141	1,163,036	827,502	110,189
Payables under securities borrowing transactions	83,609	—	—	—
Long-term debt	—	20,000	—	—

As of March 31, 2013	Millions of Yen				Millions of U.S. Dollars			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	¥215,922	¥ —	¥ —	¥ —	$2,295	$ —	$ —	$ —
Call loans	434,100	—	—	—	4,615	—	—	—
Monetary claims bought	25,960	8,016	1,516	260,521	276	85	16	2,770
Securities	747,490	3,204,640	2,883,386	9,870,373	7,947	34,073	30,658	104,948
Held-to-maturity debt securities	152,936	280,385	255,544	1,167,062	1,626	2,981	2,717	12,408
Policy-reserve-matching bonds	360,421	1,379,372	635,072	8,439,776	3,832	14,666	6,752	89,737
Available-for-sale securities	234,132	1,544,883	1,992,769	263,534	2,489	16,426	21,188	2,802
Loans	292,920	1,171,384	631,599	104,085	3,114	12,454	6,715	1,106
Payables under securities borrowing transactions	733,125	—	—	—	7,795	—	—	—
Long-term debt	—	20,000	—	—	—	212	—	—

The table above excludes certain financial instruments for which estimation of the value of recovery is impracticable, such as loans to debtors that are legally or substantially bankrupt and doubtful debtors, and those without maturities.

Note. 4: Fair values of derivative transactions

(i) Interest-rate related
1) Hedge accounting not applied

As of March 31, 2011	Millions of Yen			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —
Receipts floating, payments fixed	34,500	34,500	(169)	(169)
Total				(169)

As of March 31, 2012	Millions of Yen			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —
Receipts floating, payments fixed	34,500	34,500	(250)	(250)
Total				(250)

As of March 31, 2013	Millions of Yen				Millions of U.S. Dollars			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ —	¥ —	¥ —	¥ —	$ —	$ —	$ —	$ —
Receipts floating, payments fixed	34,500	34,500	(228)	(228)	366	366	(2)	(2)
Total				(228)				(2)

*1. Net gains (losses) represent the fair values.
*2. The fair values of certain interest rate swaps accounted for by the exceptional method are included in the fair values of related loans since they are accounted for with considering them as integrated transactions.

2) Hedge accounting applied

As of March 31, 2011

Hedge accounting model	Type	Main hedged items	Notional amount/ contract value (A) (Millions of Yen)	Over 1 year included in (A) (Millions of Yen)	Fair value (Millions of Yen)
	Interest rate swap				
Deferred hedge method	Receipts fixed, payments floating	Loans	¥15,176	¥10,000	¥ 254
	Receipts floating, payments fixed		—	—	—
Exceptional method	Receipts fixed, payments floating	Loans	65,714	61,969	2,856
	Receipts floating, payments fixed		1,848	464	(6)
Total					3,105

As of March 31, 2012

Hedge accounting model	Type	Main hedged items	Notional amount/ contract value (A) (Millions of Yen)	Over 1 year included in (A) (Millions of Yen)	Fair value (Millions of Yen)
	Interest rate swap				
Deferred hedge method	Receipts fixed, payments floating	Loans	¥10,000	¥ —	¥ 89
	Receipts floating, payments fixed		—	—	—
Exceptional method	Receipts fixed, payments floating	Loans	62,369	58,142	2,877
	Receipts floating, payments fixed		464	62	(1)
Total					2,966

As of March 31, 2013

Hedge accounting model	Type	Main hedged items	Notional amount/ contract value (A) (Millions of Yen)	Over 1 year included in (A) (Millions of Yen)	Fair value (Millions of Yen)	Notional amount/ contract value (A) (Millions of U.S. Dollars)	Over 1 year included in (A) (Millions of U.S. Dollars)	Fair value (Millions of U.S. Dollars)
	Interest rate swap							
Deferred hedge method	Receipts fixed, payments floating	—	¥ —	¥ —	¥ —	$ —	$ —	$—
	Receipts floating, payments fixed		—	—	—	—	—	—
Exceptional method	Receipts fixed, payments floating	Loans	58,342	51,576	2,607	620	548	27
	Receipts floating, payments fixed		62	—	(0)	0	—	(0)
Total					2,606			27

(ii) Currency-related

1) Hedge accounting not applied

As of March 31, 2011

Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
	Millions of Yen			
Foreign currency forward contracts				
Sold	¥938,374	¥54,060	¥(16,924)	¥(16,924)
(U.S. dollar)	557,963	54,060	1,939	1,939
(Euro)	365,884	—	(17,903)	(17,903)
(Australian dollar)	14,394	—	(959)	(959)
Bought	182,942	—	7,554	7,554
(Euro)	106,706	—	5,714	5,714
(U.S. dollar)	76,135	—	1,838	1,838
Currency options				
Sold				
Call	8,400	—		
	[56]		57	(0)
(Australian dollar)	—	—		
	[—]		—	—
(U.S. dollar)	8,400	—		
	[56]		57	(0)
Put	8,000	—		
	[62]		15	46
(U.S. dollar)	8,000	—		
	[62]		15	46
Bought				
Call	—	—		
	[—]		—	—
(Australian dollar)	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Put	47,707	39,707		
	[6,375]		8,289	1,914
(U.S. dollar)	47,707	39,707		
	[6,375]		8,289	1,914
Total				(7,410)

As of March 31, 2012	Millions of Yen			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥767,930	¥32,179	¥(33,644)	¥(33,644)
(U.S. dollar)	289,502	—	(7,612)	(7,612)
(Euro)	251,282	—	(8,073)	(8,073)
(Australian dollar)	225,522	32,179	(17,963)	(17,963)
Bought	28,274	—	(178)	(178)
(Euro)	5,012	—	(27)	(27)
(U.S. dollar)	22,592	—	(149)	(149)
Currency options				
Sold				
Call	—	—		
	[—]		—	—
(Australian dollar)	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Put	—	—		
	[—]		—	—
(U.S. dollar)	—	—		
	[—]		—	—
Bought				
Call	333,000	—		
	[4,219]		7,738	3,519
(Australian dollar)	90,000	—		
	[1,105]		488	(616)
(U.S. dollar)	243,000	—		
	[3,113]		7,249	4,136
Put	39,707	39,707		
	[6,304]		6,967	662
(U.S. dollar)	39,707	39,707		
	[6,304]		6,967	662
Total				(29,641)

As of March 31, 2013	Millions of Yen				Millions of Dollars			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥739,882	¥54,342	¥(104,122)	¥(104,122)	$7,866	$577	$(1,107)	$(1,107)
(U.S. dollar)	286,107	—	(29,561)	(29,561)	3,042	—	(314)	(314)
(Euro)	229,860	—	(30,532)	(30,532)	2,444	—	(324)	(324)
(Australian dollar)	223,165	54,342	(44,023)	(44,023)	2,372	577	(468)	(468)
Bought	18,068	—	17	17	192	—	0	0
(Euro)	14,353	—	24	24	152	—	0	0
(U.S. dollar)	3,175	—	(6)	(6)	33	—	(0)	(0)
Currency options								
Sold								
Call	91,500	—			972	—		
	[1,936]		4,494	(2,558)	[20]		47	(27)
(Australian dollar)	46,750	—			497	—		
	[909]		2,205	(1,296)	[9]		23	(13)
(U.S. dollar)	44,750	—			475	—		
	[1,027]		2,289	(1,261)	[10]		24	(13)
Put	—	—			—	—		
	[—]		—	—	[—]		—	—
(U.S. dollar)	—	—			—	—		
	[—]		—	—	[—]		—	—
Bought								
Call	186,000	—			1,977	—		
	[1,985]		6,332	4,346	[21]		67	46
(Australian dollar)	95,000	—			1,010	—		
	[941]		3,097	2,155	[10]		32	22
(U.S. dollar)	91,000	—			967	—		
	[1,043]		3,234	2,191	[11]		34	23
Put	116,876	29,789			1,242	316		
	[6,611]		2,087	(4,523)	[70]		22	(48)
(U.S. dollar)	116,876	29,789			1,242	316		
	[6,611]		2,087	(4,523)	[70]		22	(48)
Total				(106,840)				(1,135)

*1. Option fees are shown in [ ].
*2. Net gains (losses) represent the fair values for foreign currency forward contracts and the differences between the option fees and the fair values for option transactions.
*3. The fair values of foreign currency forward contracts accounted for by the allocation method are included in the fair values of related securities since they are accounted for with considering them as integrated transactions.

2)Hedge accounting applied

As of March 31, 2011

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Millions of Yen: Over 1 year included in (A)	Millions of Yen: Fair value
Fair value hedge method	Foreign currency forward contracts				
	Sold	Foreign-currency-denominated assets	¥1,558,182	¥491,281	¥(35,929)
	(Euro)		709,294	165,218	(27,604)
	(U.S. dollar)		504,134	49,454	2,032
	(Australian dollar)		276,608	276,608	(10,037)
Allocation method	Sold	Foreign-currency-denominated assets	375,692	337,692	31,918
	(Australian dollar)		177,973	177,973	2,370
	(U.S. dollar)		197,719	159,719	29,548
Total					(4,011)

As of March 31, 2012

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Millions of Yen: Over 1 year included in (A)	Millions of Yen: Fair value
Fair value hedge method	Foreign currency forward contracts				
	Sold	Foreign-currency-denominated assets	¥1,569,215	¥457,857	¥(93,225)
	(Euro)		580,503	74,982	(29,556)
	(U.S. dollar)		506,742	—	(18,968)
	(Australian dollar)		416,395	382,875	(38,969)
Allocation method	Sold	Foreign-currency-denominated assets	322,528	256,055	13,953
	(Australian dollar)		165,699	165,699	(8,618)
	(U.S. dollar)		156,829	90,355	22,571
Total					(79,272)

As of March 31, 2013

Hedge accounting model	Type	Main hedged items	Millions of Yen: Notional amount/ contract value (A)	Millions of Yen: Over 1 year included in (A)	Millions of Yen: Fair value	Millions of U.S. Dollars: Notional amount/ contract value (A)	Millions of U.S. Dollars: Over 1 year included in (A)	Millions of U.S. Dollars: Fair value
Fair value hedge method	Foreign currency forward contracts							
	Sold	Foreign-currency-denominated assets	¥2,337,014	¥493,538	¥(361,580)	$24,848	$5,247	$(3,844)
	(Euro)		966,711	83,267	(124,583)	10,278	885	(1,324)
	(U.S. dollar)		650,745	70,964	(86,070)	6,919	754	(915)
	(Australian dollar)		644,385	339,306	(150,518)	6,851	3,607	(1,600)
Allocation method	Sold	Foreign-currency-denominated assets	247,713	132,568	(40,658)	2,633	1,409	(432)
	(Australian dollar)		158,224	100,187	(41,552)	1,682	1,065	(441)
	(U.S. dollar)		89,489	32,381	894	951	344	9
Total					(402,239)			(4,276)

(iii) Stock-related

1) Hedge accounting not applied

As of March 31, 2011

		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ —	¥ —	¥ —	¥ —
	Bought	4,668	—	105	105
Over-the-counter transactions	Stock index options				
	Sold				
	Put	— [—]	—	—	—
	Bought				
	Put	233,625 [12,434]	34,000	5,530	(6,904)
Total					(6,798)

As of March 31, 2012

		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ 16,019	¥ —	¥ (6)	¥ (6)
	Bought	30,379	—	1,726	1,726
Over-the-counter transactions	Stock index options				
	Sold				
	Put	— [—]	—	—	—
	Bought				
	Put	183,400 [11,203]	34,000	3,650	(7,553)
Total					(5,832)

As of March 31, 2013

		Millions of Yen				Millions of U.S. Dollars			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures								
	Sold	¥303,340	¥ —	¥(6,029)	¥ (6,029)	$3,225	$ —	$(64)	$ (64)
	Bought	9,845	—	55	55	104	—	0	0
Over-the-counter transactions	Stock index options								
	Sold								
	Put	2,499 [53]	1,399	49	3	26 [0]	14	0	0
	Bought								
	Put	82,600 [7,383]	27,000	929	(6,454)	878 [78]	287	9	(68)
Total					(12,424)				(132)

*1. Option fees are shown in [ ].
*2. Net gains (losses) represent the fair values for futures trading and the difference between the option fees and the fair values for option transactions.

2) Hedge accounting applied

No ending balance as of March 31, 2011, 2012 and 2013.

(iv) Bond-related

1) Hedge accounting not applied

As of March 31, 2011

Classification	Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures				
	Sold	¥ —	¥—	¥—	¥ —
Over-the-counter transactions	Bond OTC options				
	Sold				
	Call	43,751	—		
		[126]		63	63
	Bought				
	Put	40,327	—		
		[346]		97	(249)
Total					(186)

As of March 31, 2012

Classification	Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures				
	Sold	¥85,203	¥—	¥ 49	¥ 49
Over-the-counter transactions	Bond OTC options				
	Sold				
	Call	78,077	—		
		[1,175]		699	476
	Bought				
	Put	78,077	—		
		[1,421]		1,362	(59)
Total					465

As of March 31, 2013

Classification	Type	Millions of Yen: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Millions of U.S. Dollars: Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Bond futures								
	Sold	¥173,228	¥—	¥(2,421)	¥(2,421)	$1,841	$—	$(25)	$(25)
Over-the-counter transactions	Bond OTC options								
	Sold								
	Call	—	—			—	—		
		[—]		—	—	[—]		—	—
	Bought								
	Put	—	—			—	—		
		[—]		—	—	[—]		—	—
Total					(2,421)				(25)

*1. Option fees are shown in [ ].
*2. Net gains (losses) represent the fair values for futures trading, the difference between the option fees and the fair values for option transactions.

2) Hedge accounting applied

No ending balance as of March 31, 2011, 2012 and 2013.

4. Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥709,540 million, ¥680,254 million and ¥598,930 million (U.S. $6,368 million), and their fair values were ¥686,813 million, ¥654,357 million and ¥562,038 million (U.S. $5,975 million) as of March 31, 2011, 2012 and 2013, respectively. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers. Asset retirement obligations for certain investment and rental properties were established as other liabilities in the amounts of ¥1,556 million, ¥1,565 million and ¥1,603 million (U.S. $17 million) as of March 31, 2011, 2012 and 2013, respectively.

5. Securities Lending

Securities loaned under security lending agreements amounted to ¥476,429 million, ¥153,445 million and ¥1,125,386 million (U.S. $11,965 million) as of March 31, 2011, 2012 and 2013, respectively.

6. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥480,857 million, ¥487,713 million and ¥477,955 million (U.S. $5,081 million) as of March 31, 2011, 2012 and 2013, respectively.

7. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥3,087,203 million, ¥3,010,983 million and ¥3,078,182 million (U.S. $32,729 million) as of March 31, 2011, 2012 and 2013, respectively. The amounts of separate account liabilities were the same as these figures.

8. Monetary receivable from and payable to Subsidiaries

The total amounts of monetary receivable from and payable to subsidiaries as of March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Monetary receivable	¥ 489	¥ 226	¥ 249	$ 2
Monetary payable	2,620	1,363	1,270	13

9. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Balance at the beginning of the fiscal year	¥336,273	¥321,724	¥303,534	$3,227
Transfer from surplus in the previous fiscal year	61,602	57,466	63,345	673
Dividend payments to policyholders during the fiscal year	(76,896)	(76,129)	(75,806)	(806)
Interest accrued during the fiscal year	744	473	448	4
Balance at the end of the fiscal year	¥321,724	¥303,534	¥291,521	$3,099

10. Net assets stipulated by the Ordinance for Enforcement of the Insurance Business Act

The amounts of net assets pursuant to Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act were ¥165 million, ¥106,927 million and ¥346,691 million (U.S.$3,686 million) as of March 31, 2011, 2012 and 2013, respectively.

11. Accrued Retirement Benefits

The following table sets forth the status of accrued retirement benefits for the Company's defined benefit plans at March 31, 2011, 2012 and 2013:

(1) Projected benefit obligation

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
a. Projected benefit obligation	¥(316,356)	¥(314,213)	¥(307,439)	$(3,268)
b. Plan assets at fair value	207,825	213,405	235,827	2,507
[Plan assets held in retirement benefit trust (Included in the above plan assets)]	[84,547]	[81,790]	[93,872]	[998]
c. Net projected benefit obligation (a+b)	(108,531)	(100,808)	(71,612)	(761)
d. Unrecognized actuarial losses	103,178	92,316	56,472	600
e. Unrecognized past service costs	(206)	(103)	—	—
f. Net value on the balance sheets (c+d+e)	(5,559)	(8,595)	(15,139)	(160)
g. Prepaid pension cost	14,918	12,477	7,314	77
h. Accrued retirement benefits (f-g)	¥ (20,478)	¥ (21,072)	¥ (22,453)	$ (238)

(2) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2011, 2012 and 2013 were as follows:

	2011	2012	2013
Method of attributing benefits to period of service	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%	2.0%
Expected long-term rates of return on plan assets:			
Defined benefit pension plans	2.0%	1.0%	0.5%
Retirement benefit trust	0.0%	0.0%	0.0%
Amortization period for actuarial losses (Commencing in the following year after they are incurred)	8 years	8 years	8 years
Amortization period for past service cost	3 years	3 years	3 years

(3) Retirement benefit expenses

Retirement benefit expenses of the Company for the years ended March 31, 2011, 2012 and 2013 are comprised of the following:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
a. Service costs	¥11,342	¥11,858	¥11,472	$121
b. Interest cost on projected benefit obligation	6,329	6,327	6,284	66
c. Expected return on plan assets	(2,395)	(1,232)	(658)	(6)
d. Amortization of actuarial losses	14,641	15,596	18,564	197
e. Amortization of past service costs	(103)	(103)	(103)	(1)
f. Retirement benefit expenses (a+b+c+d+e)	¥29,814	¥32,445	¥35,559	$378

12. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

13. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserves for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

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 amounts of ¥59,000 million, ¥90,000 million and ¥50,000 million (U.S. $531 million) as of March 31, 2011, 2012 and 2013, respectively.

The Company offered foundation funds in the amount of ¥70,000 million, ¥100,000 million and ¥100,000 million (U.S.$1,063 million) pursuant to Article 60 of the Insurance Business Act in the years ended March 31, 2011, 2012 and 2013, respectively.

14. Pledged Assets

Assets pledged as collateral were securities in the amounts of ¥498,774 million, ¥492,054 million and ¥528,444 million (U.S. $5,618 million) as of March 31, 2011, 2012 and 2013, respectively.

15. Equity investments in Subsidiaries

The total amounts of equity investments in subsidiaries were ¥39,898 million, 44,854 million and ¥75,464 million (U.S.$802 million) as of March 31, 2011,2012 and 2013, respectively.

16. Loans

The aggregate amounts of risk-monitored loans, which were comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥7,318 million, ¥2,095 million and ¥1,739 million (U.S. $18 million) as of March 31, 2011, 2012 and 2013, respectively.

The aggregate amounts of loans to bankrupt borrowers were ¥7 million, nil and nil, and loans in arrears were ¥6,943 million, ¥1,763 million and ¥1,444 million (U.S. $15 million) as of March 31, 2011, 2012 and 2013, respectively. The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets as of March 31, 2011, 2012 and 2013 were ¥54 million, ¥49 million and ¥42 million (U.S. $0 million) for loans in arrears, respectively.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikeliness of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96 Paragraph 1 Item 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.

The amounts of loans in arrears for three months or longer were ¥6 million, ¥3 million and ¥0 million (U.S. $0 million) at March 31, 2011, 2012 and 2013, respectively.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date.
Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥361 million, ¥328 million and ¥294 million (U.S. $3 million) as of March 31, 2011, 2012 and 2013, respectively.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

17. Loan Commitments

The amounts of loan commitments outstanding were ¥3,602 million, ¥2,832 million and ¥8,172 million (U.S. $86 million) as of March 31, 2011, 2012 and 2013, respectively.

18. Reinsurance

As of March 31, 2011, 2012 and 2013, the amounts of reinsurance recoverable on outstanding claims, which is applied mutatis mutandis to Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act (hereinafter, "reinsurance recoverable on outstanding claims"), were ¥35 million, ¥6 million and ¥31 million (U.S.$0 million), respectively.

As of March 31, 2011, 2012 and 2013, the amounts of reinsurance recoverable on policy reserves pursuant to Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act (hereinafter, "reinsurance recoverable on policy reserves") were ¥87 million, ¥90 million and ¥86 million (U.S.$0 million), respectively.

19. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥46,210 million,¥45,403 million and ¥44,782 million (U.S. $476 million) as of March 31, 2011, 2012 and 2013, respectively, pursuant to Article 259 of the Insurance Business Act.

These contributions are recognized as operating expenses when they are made.

20. Investment Income and Expenses

Major components of gains on sales of securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Domestic bonds including national government bonds	¥11,974	¥ 928	¥15,757	$167
Domestic stocks	14,027	10,273	712	7
Foreign securities	2,721	30,786	16,919	179

Major components of losses on sales of securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Domestic bonds including national government bonds	¥ 1,115	¥ 1,704	¥ 16	$ 0
Domestic stocks	15,604	24,004	5,355	56
Foreign securities	40,918	22,735	4,708	50

Major components of losses on valuation of securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Domestic stocks	¥22,586	¥64,912	¥13,318	$141
Foreign securities	27,040	2,208	—	—

Major components of gains (losses) on trading securities were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Interest and dividend income	¥ —	¥ 34	¥ 61	$ 0
Gains (Losses) on sales of securities	(528)	(434)	1,082	11
Gains (Losses) on valuation	378	13	(13)	(0)

Gains or losses on derivative financial instruments, net, included net valuation gains of ¥7,758 million, losses of ¥44,545 million and losses of ¥100,678 million (U.S. $1,070 million) for the years ended March 31, 2011, 2012 and 2013, respectively.

21. Policy Reserves for Ceded Reinsurance

The amounts of provision for (reversal of) reinsurance recoverable on outstanding claims and reinsurance recoverable on policy reserves, which are deducted in calculating reversal of (provision for) reserves for outstanding claims and policy reserves, for the fiscal year ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 4	¥(28)	¥24	$ 0
Provision for (reversal of) reinsurance recoverable on policy reserves	(3)	2	(3)	(0)

22. Impairment of Fixed Assets

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

Accumulated impairment losses on fixed assets are directly deducted from the total asset amounts of their respective asset categories.

(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 investment and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized
For the years ended March 31, 2011, 2012 and 2013, the Company recognized impairment losses on real estate for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount, and recognized impairment losses as extraordinary losses in the non-consolidated statements of income.

(3) Details of fixed assets causing impairment losses

		Millions of Yen			Millions of U.S. dollars
Asset Group	Asset Categories	2011	2012	2013	2013
Real estate for investment	Land and buildings	¥7,517	¥5,437	¥23,037	$244
Idle assets	Land and buildings	511	986	1,191	12
Total		¥8,029	¥6,423	¥24,228	$257

(4) The recoverable amount
The recoverable amounts of real estate for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Net realizable value is calculated based on an estimated selling value, appraisal value based on Real Estate Appraisal Standards, or publicly announced value. Value in use is determined as the estimated net future cash flows discounted at 5.0%.

23. Deferred Taxes

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

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Deferred tax assets	¥349,963	¥286,377	¥317,605	$3,376
Valuation allowance for deferred tax assets	9,926	7,186	9,432	100
Subtotal	340,037	279,190	308,173	3,276
Deferred tax liabilities	20,208	68,507	173,565	1,845
Net deferred tax assets/(liabilities)	319,829	210,683	134,607	1,431

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

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Deferred tax assets				
Policy reserves and other reserves	¥176,461	¥147,662	¥158,077	$1,680
Reserve for price fluctuation	58,363	49,612	63,472	674
Accrued retirement benefits	44,059	40,767	41,925	445
Deferred tax liabilities:				
Net unrealized gains/(losses) on available-for-sale securities	—	47,408	153,800	1,635

(2) The effective income tax rates were 36.15%, 36.15% and 33.28% for the years ended March 31, 2011, 2012 and 2013, respectively. Main factors in the differences between the effective income tax rates and the actual income tax rates after considering deferred tax rates were as follows:

	2011	2012	2013
Policyholders' dividend reserves	(15.8)%	(11.7)%	(14.3)%
Effects of changes in the income tax rate	—	20.6%	—

(3) Following the promulgation of "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) on December 2, 2011, the statutory tax rate applied to measure deferred tax assets and liabilities will be lowered gradually and a special restoration surtax will be imposed for fiscal years beginning on and after April 1, 2012. As a result of these changes, the effective income tax rates which are used to measure deferred tax assets and liabilities, will be changed from 36.15% to 33.28% for temporary differences that are expected to be reversed during the fiscal years beginning within the period from April 1, 2012 to March 31, 2015 and changed to 30.73% for the temporary differences that are expected to be reversed in the fiscal years beginning on and after April 1, 2015.

Due to these changes, as of March 31, 2012, deferred tax assets and deferred tax liabilities for land revaluation decreased by ¥31,976 million and ¥5,325 million, respectively, and income taxes—deferred increased by ¥40,340 million.

24. Transactions with Subsidiaries

The total amounts of income and expenses resulting from transactions with subsidiaries for the fiscal years ended March 31, 2011, 2012 and 2013 were as follows:

	Millions of Yen			Millions of U.S. dollars
	2011	2012	2013	2013
Total income	¥ 3,135	¥ 2,586	¥ 2,438	$ 25
Total expenses	24,912	22,250	19,679	209

25. Subordinated Debt

As of March 31, 2011, 2012 and 2013, loans payables are subordinated debt, the repayments of which are subordinated to other obligations.

26. Subsequent Events

The proposed appropriation of surplus of the Company for the fiscal year ended March 31, 2013 was approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2013.

Independent Auditor's Reports

Independent Auditor's Report

To the Board of Directors of Sumitomo Life Insurance Company:

We have audited the accompanying consolidated financial statements of Sumitomo Life Insurance Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2011, 2012 and 2013, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Life Insurance Company and its consolidated subsidiaries as at March 31, 2011, 2012 and 2013, and their financial performance and cash flows for the years then ended in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
August 30, 2013
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

Independent Auditor's Report

To the Board of Directors of Sumitomo Life Insurance Company:

We have audited the accompanying non-consolidated financial statements of Sumitomo Life Insurance Company, which comprise the non-consolidated balance sheets as at March 31, 2011, 2012 and 2013, and the non-consolidated statements of income, the non-consolidated statements of changes in net assets and the non-consolidated proposed appropriation of surplus for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Life Insurance Company as at March 31, 2011, 2012 and 2013, and their financial performance for the years then ended in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

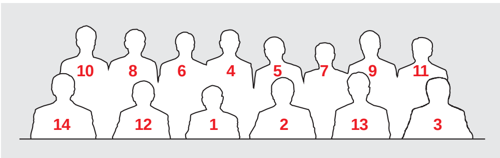
KPMG AZSA LLC

KPMG AZSA LLC
August 30, 2013
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

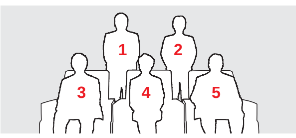
Corporate Information (As of July 2, 2013)

Board of Directors



1. Chairman and Representative Director
Shinich Yokoyama
2. President and Representative Director, Chief Executive Officer
Yoshio Sato
3. Representative Director, Senior Managing Executive Officer
Koichi Suzaki
4. Representative Director, Senior Managing Executive Officer
Haruo Urata
5. Representative Director, Senior Managing Executive Officer
Masahiro Hashimoto
6. Director, Managing Executive Officer
Hiroshi Yamaguchi
7. Director, Managing Executive Officer
Yukio Noro
8. Director, Managing Executive Officer
Masaya Honjo
9. Director, Managing Executive Officer
Hidenori Shinohara
10. Director, Managing Executive Officer
Hiroyuki Shimomura
11. Director, Managing Executive Officer
Masato Inui
12. Outside Director
Adviser, The Kansai Electric Power Co., Inc.
Yosaku Fuji
13. Outside Director
Partner, Kamano Sogo Law Offices
Hiroyuki Kamano
14. Outside Director
Adviser of The Japanese Institute of Certified Public Accountants
Tsuguoki Fujinuma

Audit & Supervisory Board Members



1. Audit & Supervisory Board Member
Masayuki Aoto
2. Audit & Supervisory Board Member
Nobuyuki Yagi
3. Outside Audit & Supervisory Board Member
Attorney at Law, Partner, Ihara and Motobayashi
Toru Motobayashi
4. Outside Audit & Supervisory Board Member
Professor, Graduate School of Peace Studies, Keisen University
Masami Ohinata
5. Outside Audit & Supervisory Board Member
Professor, Faculty of Social Innovation, Seijo University
Takehiko Sugiyama

Managing Executive Officers

Ryo Oshita
Hiroshi Fujii
Hisato Kogawa
Yasuhisa Tanabe

Executive Officers

Toshimatsu Araki
Masahito Fujito
Shinzo Kono
Tamotsu Imaizumi
Hideharu Matsumoto
Hideyuki Sumi
Katsunobu Fujiyama

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