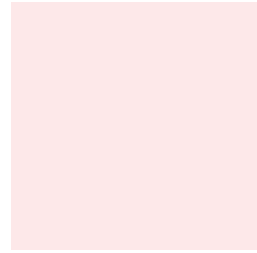


Empowering your future



Annual Report 2018



SUMITOMO LIFE in Numbers

(As of March 31, 2018)

Sumitomo Life is one of the world's leading life insurance companies with more than 100 years of history and a strong financial base.

Overview

Years Since Foundation:

111 years

Number of Sales Representatives*¹:

31,894

Overview of Policies

Annualized Premiums from Policies in Force*²

\$26.1 billion

Annualized Premiums from New Policies*²

\$2.0 billion

Status of Profit

Core Business Profit*³

\$3.4billion

*Core business profit excluding the impact of standard policy reserves concerning the minimum guarantees for variable annuities, etc.

Total Assets*⁴

\$339.1billion

Embedded Value*²

\$35.5billion

Solvency Margin Ratio*⁴

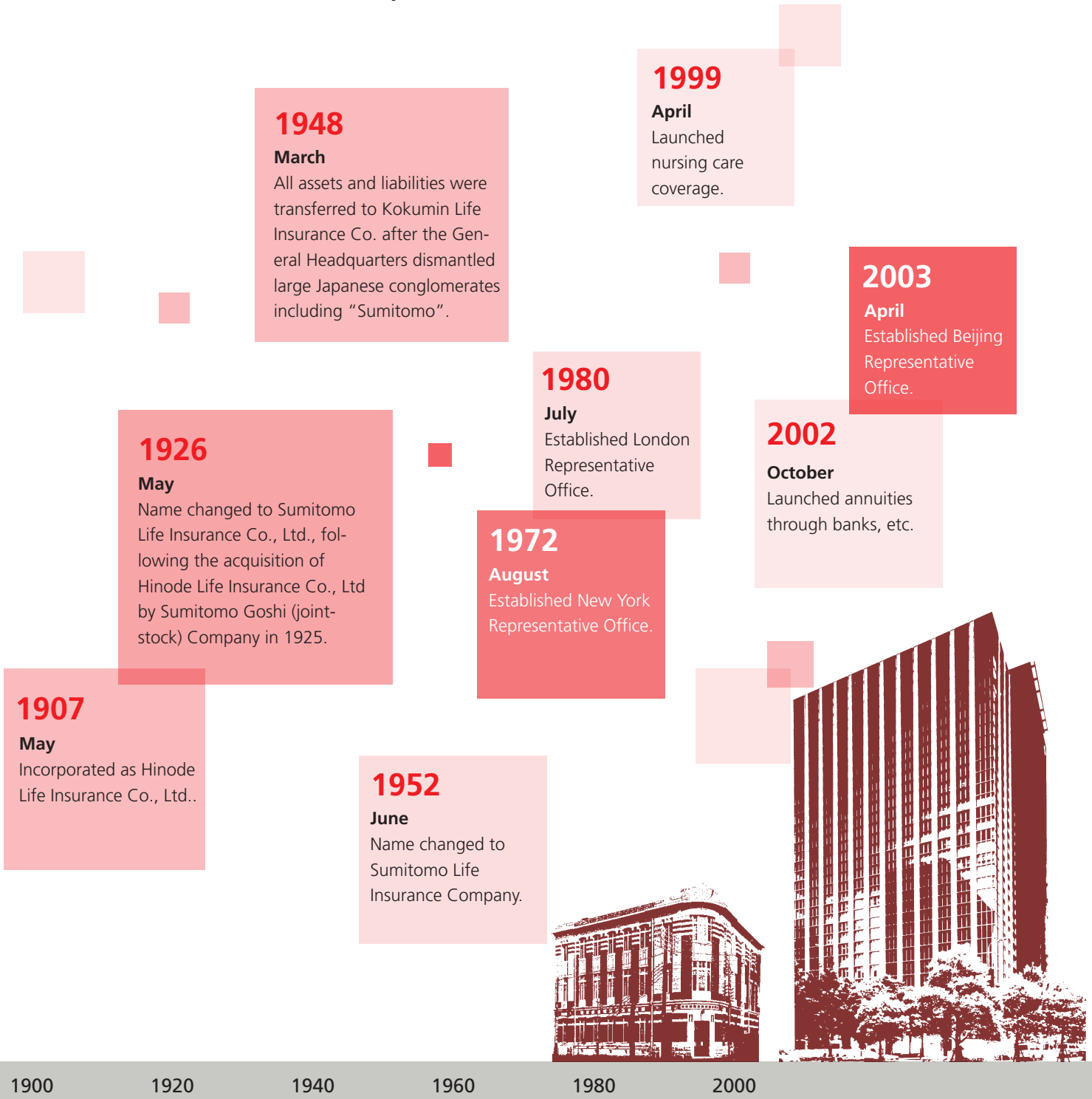
881.7%

*1 Sumitomo Life *2 Total of Sumitomo Life, Medicare Life and Symetra *3 Core business profit for the Group. Calculated by combining core business profit of Sumitomo Life and Medicare Life, and profit before tax of Symetra, Baoviet Holdings, BNI Life, and PICC Life attributable to Sumitomo Life's equity stake in each company, with adjustments made to some internal transactions. *4 On consolidated basis
Note: US\$1.00 = ¥106.24, as of March 31, 2018.

SUMITOMO LIFE to Present

Based on the aspiration to create an 'ideal life insurance company', Sumitomo Life was established in May 1907 under the name of Hinode Life Insurance Co., Ltd.

While the Company changed its name to Sumitomo Life Insurance Co., Ltd. in 1926, the aspiration to become an ideal company has been continually passed on under Sumitomo's spirit of pursuing social and national benefits in its business, and the Company has now grown to be one of the world's largest life insurance companies after 111 years of its establishment.



1900 1920 1940 1960 1980 2000

2018

April

Established Sumitomo Life Digital Innovation Labs (Tokyo/U.S.).

July

Launched SUMITOMO LIFE Vitality Shared-Value Insurance.

2013

March

Launched "Cancer PLUS" offering comprehensive coverage for cancer, which is of great concern for customers.

December

Formed strategic business alliance with PT Bank Negara Indonesia (Persero) Tbk and PT BNI Life Insurance.

2017

April

Started business alliance with NN Life Insurance Company, the Japanese subsidiary of NN Group N.V., an insurance group based in the Netherlands.

May

110th anniversary of foundation.

2005

November

Established PICC Life Insurance Co., Ltd., with The People's Insurance Company (Group) of China Limited.

2007

May

100th anniversary of foundation.

2011

March

Launched "W Stage" (mainline product) providing more comprehensive nursing care and medical insurance coverage.

December

Established Hanoi (Vietnam) Representative Office.

2016

February

Acquired full ownership of Symetra Financial Corporation (U.S.).

July

Started a new project, the "Japan Vitality Project."

2010

April

Established Medicare Life Insurance Co., Ltd. as a life insurance subsidiary.

2015

July

Transitioned to a Company with Committees.

September

Launched "1-UP" a work disability income insurance.



2005

2010

2015

EMPOWERING YOUR Future



From the perspective of customers:

**Recommended
company**



From the perspective of society:

**Indispensable
company**

From the perspective of employees:

Fulfilling company



CONTENTS

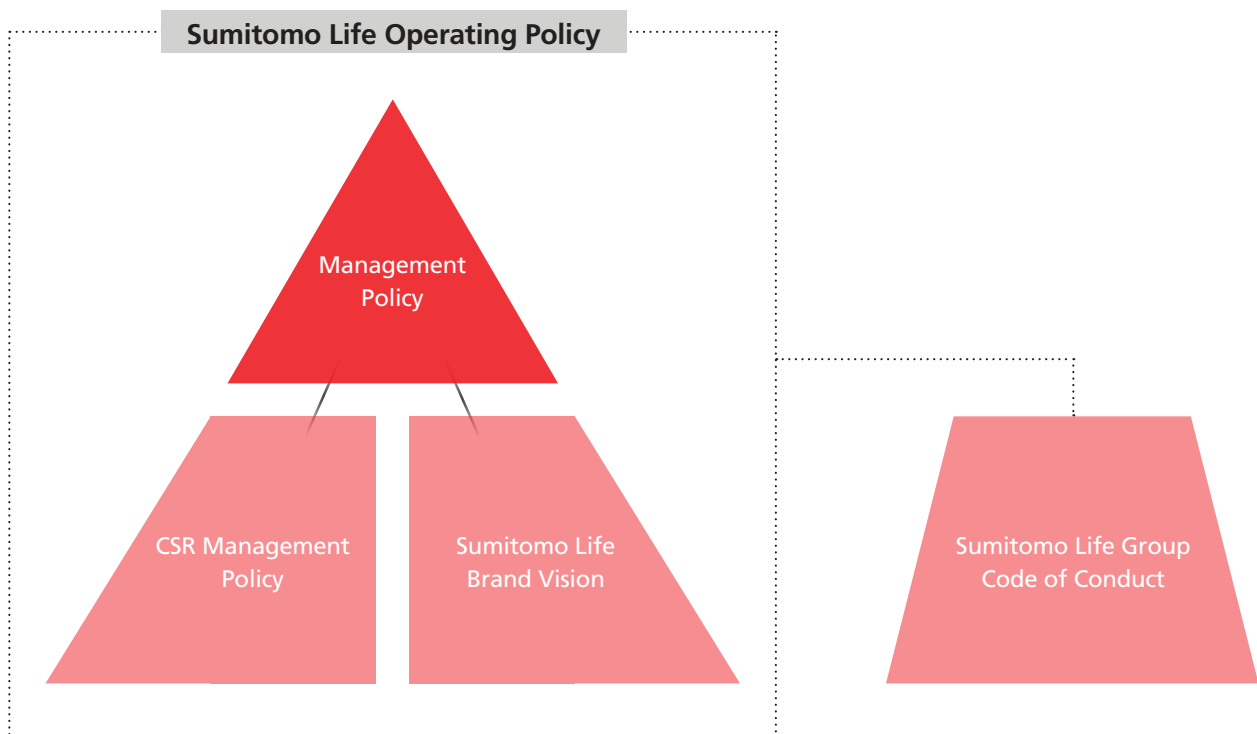
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SUMITOMO LIFE

Our Mission, Vision and Values

The operating policy of the Company sets the “Management Policy,” which is our corporate philosophy, as the apex. The “CSR Management Policy” states the Company’s universal mission stated in the Management Policy reorganized from the CSR perspective, and the “Sumitomo Life Brand Vision” states the “Image of the Company from customer’s perspective” that we are aim to become in the medium to long term.

The “Sumitomo Life Group Code of Conduct” has been established as a behavior guideline for executives and employees of Sumitomo Life and each Group company.



Management Policy

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.

CSR Management Policy

The Company has established the “CSR Management Policy,” through reorganization of the Company’s universal mission stated in the “Management Policy” from the CSR perspective.

CSR Management Policy

Through the sound operation and development of the insurance business, Sumitomo Life will contribute to the realization of a society of affluence, vitality and longevity.

Under this philosophy, through conducting honest business operations and a sound financial base, we aim to become the most trusted and supported company by our stakeholders including our customers, and to grow sustainably and stably.

To our customers

With the trust from our customers as the starting point of all our activities, we will provide optimal life security services to each and every person through the sound management of the insurance business.

To our business partners

We will earn the trust and support of our business partners, and fulfill our social responsibility together with them.

To our employees

We will work on creating a company where each and every employee can continuously work with pride, confidence and enthusiasm.

We will value a free and open corporate culture, where employees are filled with the spirit of challenging spirits.

To society

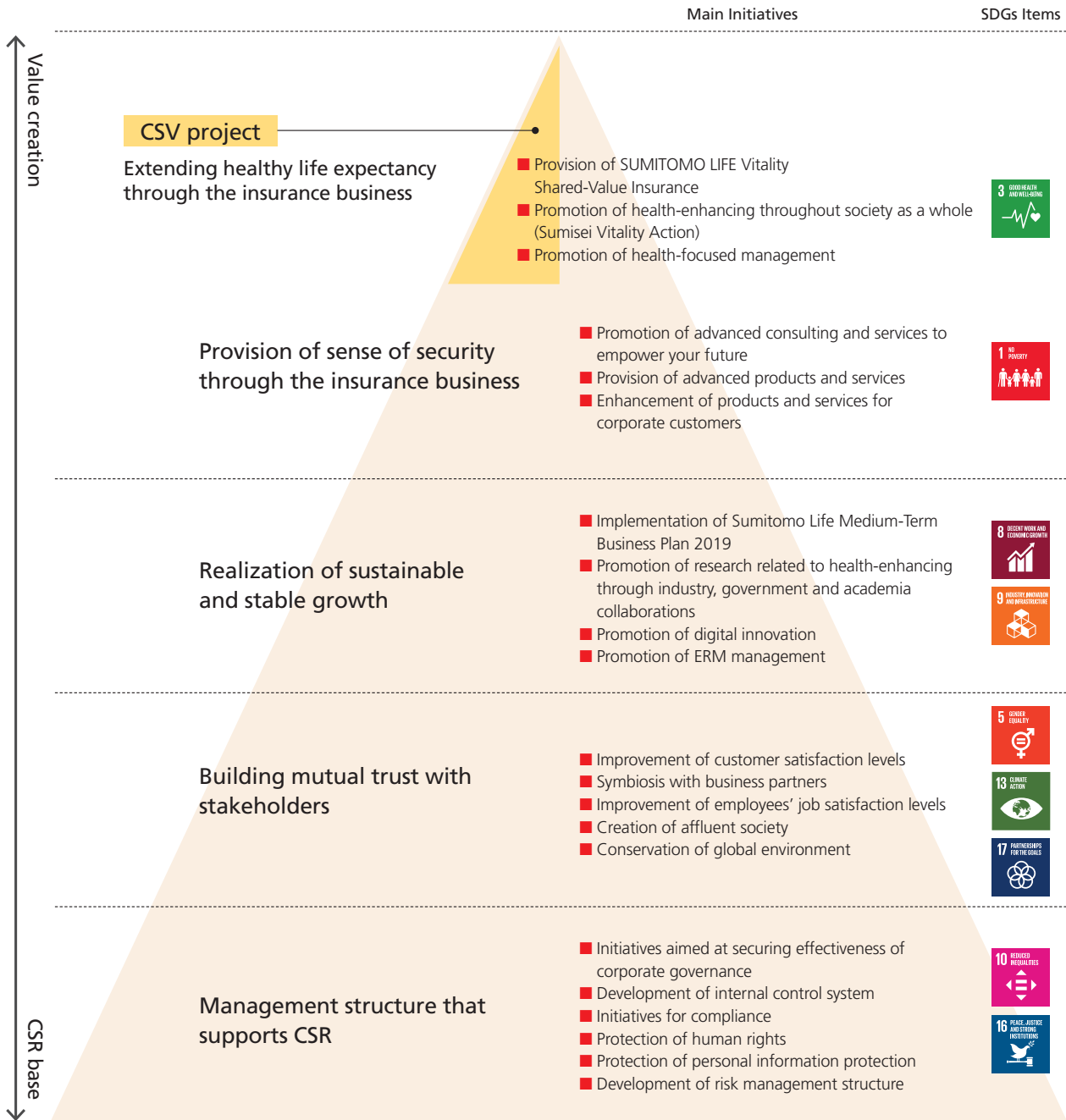
We recognize our role and responsibility as a member of society, and will contribute to the creation of a healthy and enriched society, as well as the development of regional societies and the international society.

To the global environment

To support healthy lifestyles, we will constantly consider the impact of our business activities on the global environment and actively work on protecting it.

Based on the "CSR Management Policy," items that are important in the promotion of CSR management are reorganized as follows. These key items are also positioned as specific CSR materialities (important tasks) in the GRI standards.

Key Items of CSR

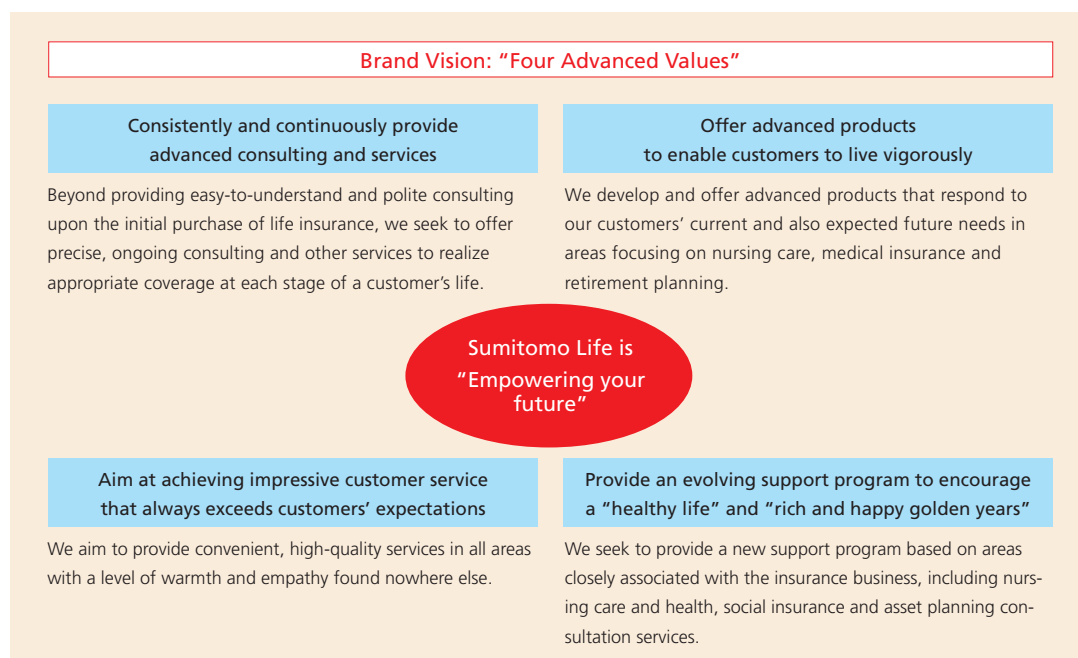


Brand vision

As 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 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.




Sumitomo Life Group Code of Conduct

The Company has formulated the "Sumitomo Life Group Code of Conduct" as a behavior guideline, in order to ensure that each and every executive or employee of Sumitomo Life and each Group company will put the operating policy into practice through their actions.

Through the sound operation and development of the insurance business and related businesses, Sumitomo Life Group (Sumitomo Life and its subsidiaries) will contribute to the realization of a society of affluence, vitality and longevity.

Under this philosophy, the "Sumitomo Life Group Code of Conduct" has been formulated as a guideline for the Sumitomo Life Group and its executives and employees to follow in highly ethical manner. Though the practice of this guideline, we aim to become the most trusted and supported company by our customers and society, and to grow sustainably and stably.

■ Message from the President



Creating New Value for Customers and Building the Future Together

Masahiro Hashimoto

President &
Chief Executive Officer

Looking Back on Fiscal 2017

Recently, amid the advent of the aging population, customer needs have been increasingly diversifying such as in living benefits and medical coverage insurance as well as retirement planning.

At Sumitomo Life, we wish to contribute to the society by answering to the needs of each individual customer and providing the most suitable type of insurance to customers and their families.

We bestow such intention in the message of “empowering your future” and are proceeding to offer advanced consulting and services.

In fiscal 2017, the first year of the three-year Sumitomo Life Medium-Term Business Plan 2019, we celebrated our 110th anniversary of foundation. Along with pursuing the best interests of customers, in order to continue being a company trusted and chosen by customers, we strived to conduct initiatives under the Plan to create new value for customers and build the future together. The initiatives include the construction of a sales and services structure for “SUMITOMO LIFE Vitality,” a new life insurance product that reduces risk itself by helping policyholders to change their behavior and to get healthier by giving them the tools, knowledge, access, and incentives to enhance their health. This is a new value which goes beyond the existing concept of preparing in case of a risk of life insurance in Japan.

Constant Increase in Annualized Premiums from Policies in Force as the Economy Continues to Moderately Recover

Performance

Reviewing our fiscal 2017 consolidated performance for the Sumitomo Life Group (Sumitomo Life Insurance Company, Medicare Life Insurance Co., Ltd. and Symetra Financial Corporation), annualized premiums from policies in force increased 1.6% from the end of the previous fiscal year, to ¥2,783.2 billion. Annualized premiums from policies in force for the third-sector (living benefits + medical coverage) insurances (total of Sumitomo Life and Medicare Life), which we focus on as one of the growth areas, increased 3.6% year on year to ¥573.0 billion, growing steadily for fifteen consecutive years since we started to publish such figures.

Total adjusted core business profit of the Group increased to ¥361.7 billion, as a result of a positive spread for four consecutive years since fiscal 2014.

Asset Management and Financial Strength

In terms of asset management, we promoted the management of two portfolios, the "ALM Investment" and the "Balanced Investment" (focused on risk-bearing assets), and worked on enhancing profitability and strengthening risk control according to the purpose of each investment, with the aim of ensuring stable formation of customers' assets and providing insurance products that meet customers' needs, amid the persisting low interest rate environment. Furthermore, as a responsible institutional investor, we actively conduct stewardship activities which include the promotion of high-quality dialogue with the companies we invest in, with the aim of raising their medium- to long-term equity values.

It is likely that Japan will introduce an economic value-based solvency regime 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 risk assets while steadily increasing accumulated retained surplus based on stable profits in order to secure appropriate level of capital.

European Embedded Value (EEV)

The Sumitomo Life Group's EEV at the end of fiscal 2017 increased ¥255.0 billion year on year to ¥3,778.9 billion primarily due to the successful results of the insurance business such as acquiring new business and securing earnings from policies in force, which effectively covered the negative impact of decrease in domestic interest 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 have proactively offered coverage that extends beyond mortality to include morbidity and longevity. In September 2015, we launched "1-UP," which covers work disability, the first product of its kind offered by a major Japanese life insurance company, and supported the protection from the risk of becoming unable to work as a result of illness or injury.

Furthermore, the awareness of health is increasing rapidly amid the recent acceleration of initiatives to extend healthy life expectancy, and the expansion of health-related markets. Capturing this trend, we

■ Message from the President

successfully developed and launched SUMITOMO LIFE Vitality Shared-Value Insurance in July 2018, which is an insurance product that incorporates the Vitality Wellness Program, and supports people who want to become healthier and to be prepared for risks at the same time. A key feature of this policy is that we value not only the health status at inception of the policy, but also the continuous process of health-enhancing activities. The Vitality Wellness Program was originally developed by a South African financial services company, Discovery (Group Chief Executive : Adrian Gore), and is recognized globally, with 8.4 million members across 17 countries and regions (as of June 2018). Sumitomo Life have signed an exclusive agreement with Discovery in the Japanese market. Through SUMITOMO LIFE Vitality, we seek to make people healthier and to realize a healthy and long-living society. In addition, we will continue to “create new value for customers and to build the future together”, through the acceleration of the “CSV* Project”, whose goal is to create shared value among “customers,” “society,” “the Company and its employees”.

With respect to sales channels, for nursing care (including work disability), health-enhancing and medical insurance areas, Sumitomo Life markets the products primarily through its over 30,000 sales representatives who excel in face-to-face consultation, based on our belief that it is indispensable to communicate the value and importance of life insurance in light of various elements including reforms to the social security system and to bring attention unidentified customer needs.

Furthermore, we have focused on promoting insurance sales through channels such as “bancassurance” and “insurance outlets” ahead of other major life insurers, in order to respond flexibly to diversifying customer needs and market changes. Our bancassurance network is highly effective and ranks as one of the industry’s largest with over 300 participating banks and financial institutions. 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 sufficient coverage, mainly through insurance outlets. Medicare Life has been growing constantly, registering over 600,000 policies in force at the end of March 2018. We aim to establish a framework to reach customers with various types of needs and to increase our presence in the domestic market, through enhancing the product lineup in order to meet diversifying customer needs and to serve the interests of customers, as well as the promotion of a wide range of strategic alliances.

In the overseas markets, we have established PICC Life Insurance Company Limited in China in 2005, formed a strategic business alliance with Baoviet Holdings in Vietnam in 2012, and we acquired approximately 40% of the total number of issued shares of PT BNI Life Insurance in Indonesia in 2014.

In addition, we acquired in February 2016 full ownership of Symetra Financial Corporation, a U.S. life insurance group listed on the New York Stock Exchange. The U.S. is the world’s largest life insurance market where stable growth is expected for the future. The Company assigns several of its employees to work in Symetra at the board and operational levels in order to establish strong communications with Symetra. The Company aims to support long-term enhancement of our policyholder interests through the acquisition of Symetra, which is expected to strengthen our earnings base, and to realize risk diversification and enjoyment of stable growth in the U.S. market.

In addition to making efforts in domestic growth areas, we will work on developing overseas operations, in order to contribute to the diversification of the Group’s earnings base and to the sustainable growth of corporate value in the medium to long term.

*Abbreviation for Creating Shared Value; management concept of corporation balancing goals of “resolving societal problems” and “enhancing corporate value (raising profits and competitiveness)”

Creating New Value for Customers and Building the Future Together

In fiscal 2018, the second year of the Company's medium-term business plan "Sumitomo Life Medium-Term Business Plan 2019 ~Creating New Value for Customers and Building the Future Together~, " we launched SUMITOMO LIFE Vitality Shared-Value Insurance, which will change the existing concept of life insurance in Japan.

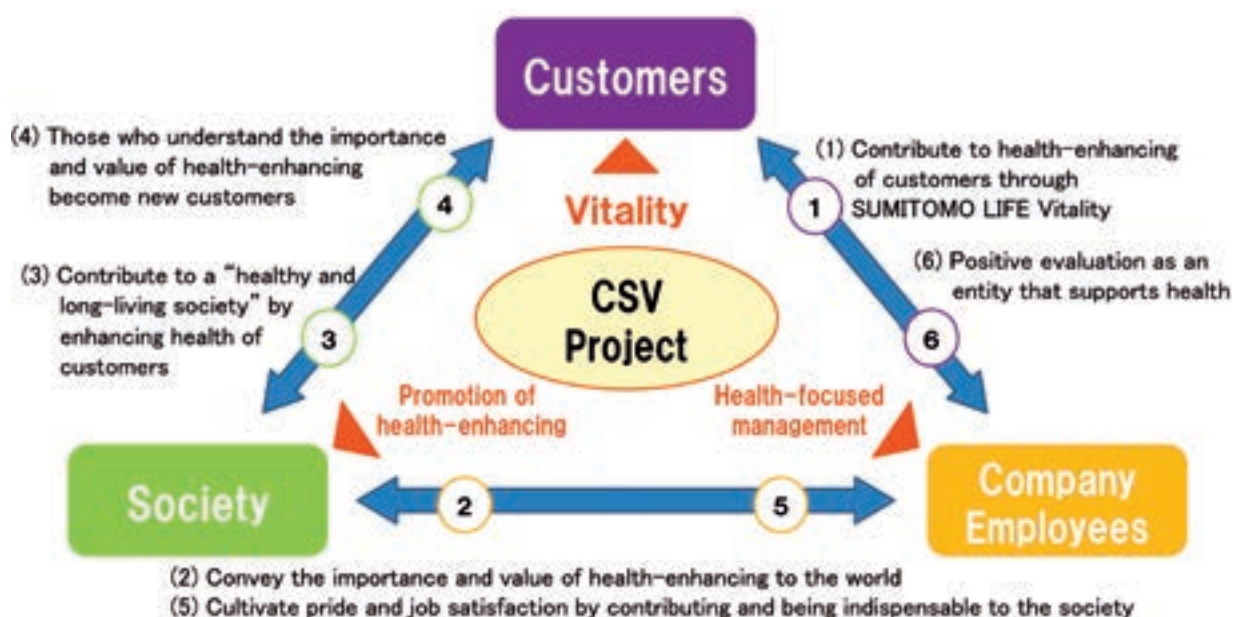
In the Plan, we continuously further promote initiatives aimed at achieving the goal of becoming an "Ideal life designer", mainly based on our brand strategy. Through initiatives focusing on health, we also promote customer-oriented business operations from the perspective of pursuing the best interests of customers, as well as endeavor to realize CSV, which means creating shared value among customers, society, the Company and its employees.

I sincerely appreciate your continued support.

橋本雅博

Masahiro Hashimoto
President & Chief Executive Officer

Overview of the CSV project



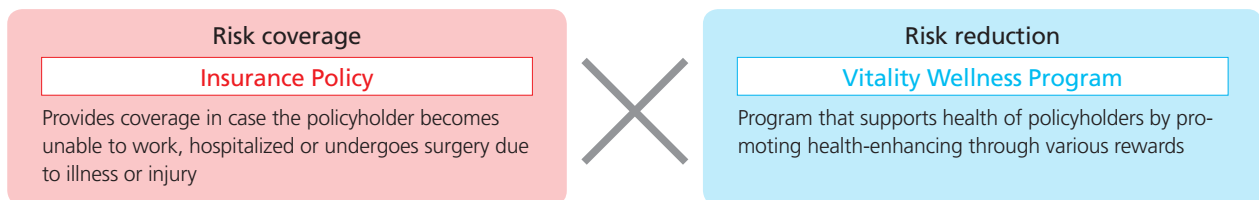
*Abbreviation of Creating Shared Value: A business management concept that aims to achieve both "Solution of social issues" and "Enhancement of corporate value (improvement of profits and competitiveness)" by corporate enterprises. This concept was mainly proposed by Michael E. Porter, a professor of Harvard University, who is also known for his corporate competitive strategy theory.

Japan Vitality Project

–the Japanese launch of the globally recognized Vitality Wellness Program

Launch of SUMITOMO LIFE Vitality Shared-Value Insurance

Sumitomo Life launched the SUMITOMO LIFE Vitality Shared-Value Insurance on July 24, 2018. SUMITOMO LIFE Vitality is a product which, in addition to coverage, also features a Vitality Wellness Program*1 that supports continuous engagement in health-enhancing activities. Besides coverage, the original purpose of insurance, for example against work disability through our product “1-UP,” SUMITOMO LIFE Vitality comprehensively evaluates daily health-enhancing activities of policyholders and determines the policyholder’s status based on their efforts to live a healthy life. Policyholders may receive a discount**2 in their insurance premiums, depending on their status. Furthermore, as a measure to support those who have difficulties in continuing health-enhancing activities, this is a new product that includes various rewards such as a discount in the monthly fees of a gym membership and travel discounts.



*1 To use the Vitality Wellness Program, a Vitality fee required in addition to insurance premiums.
 *2 Depending on the policyholder’s status, insurance premiums may also be increased.

Vitality Wellness Program—A Program Implemented across 17 Countries and Regions Worldwide

The Vitality Wellness Program is offered by a South African financial services company, Discovery Limited. In addition to South Africa, Discovery Limited has been offering the Vitality Wellness Program in various countries through partnerships with local life insurance companies throughout the world for over two decades (since 1997). Currently, the program is being offered across 17 countries and regions worldwide including the US, UK, Germany, China and Japan, to approximately 8.4 million members (as of June 2018).

Through the launch of SUMITOMO LIFE Vitality, Sumitomo Life aims to make people healthier and contribute to the realization of a healthy and long-living society by encouraging people to continue engaging in health-enhancing activities.

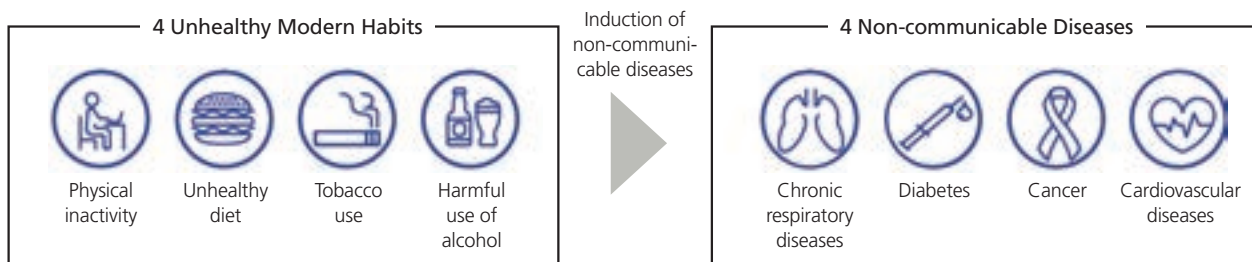
Countries and regions where “Vitality” is available



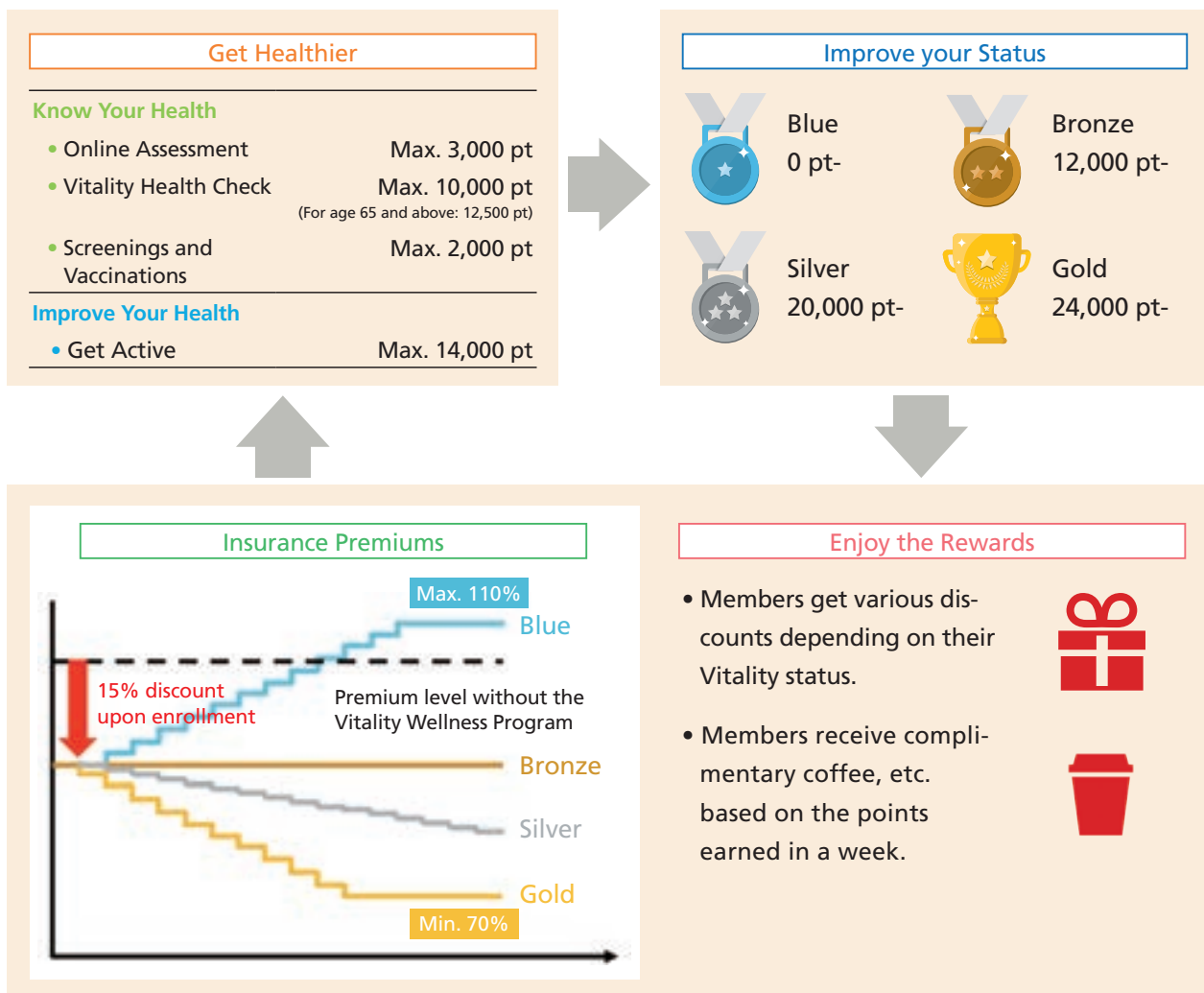
Realization of “A Healthy and Long-Living Society”

—Towards the Era of Centenarians—

According to the World Health Organization (WHO), four lifestyle habits lead to four chronic diseases (chronic respiratory diseases, diabetes, cancer and cardiovascular diseases) that contribute to 60% of deaths worldwide. Through the introduction of the Vitality Wellness Program in Japan, the most rapidly aging country in the world, Sumitomo Life aims to make people healthier and contribute to the realization of a healthy and long-living society.



Overview of SUMITOMO LIFE Vitality



Sumitomo Life Medium-Term Business Plan 2019

~ Creating New Value for Customers and Building the Future Together ~

Overview of the Medium-Term Business Plan: Sumitomo Life Medium-Term Business Plan 2019

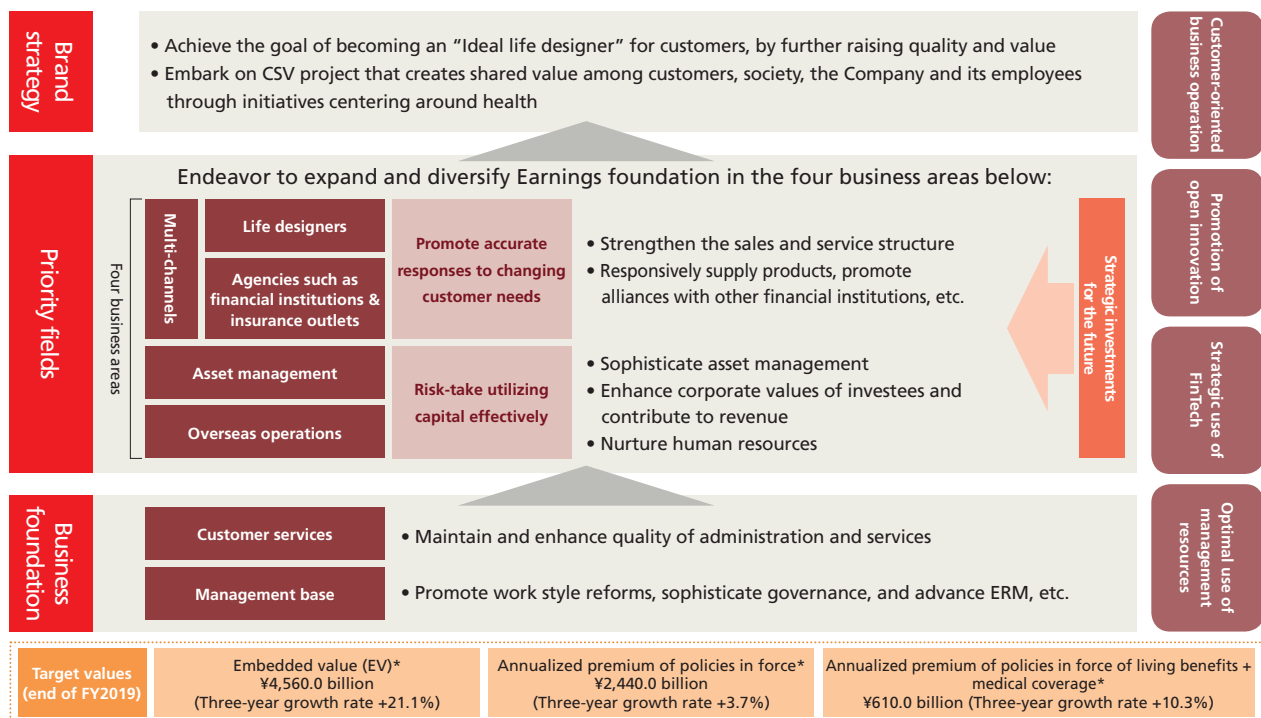
Our basic stance and desired image

The Company's three-year plan "Sumitomo Life Medium-Term Business Plan 2019 ~Creating New Value for Customers and Building the Future Together~" (the "Plan") began in April 2017. In the Plan, we continuously further promote initiatives aimed at achieving the goal of becoming an "Ideal life designer", mainly based on our brand strategy. Through initiatives focusing on health, we also promote customer-oriented business operations from the perspective of pursuing the best interests of customers, as well as endeavor to realize CSV*, which means creating shared value among customers, society, the Company and its employees.

Furthermore, we aim to realize the goal of becoming "a recommended company from the perspective of customers, a fulfilling company from the perspective of employees, and an indispensable company from the perspective of society," as well as endeavor to strengthen our "Customer services" and "Management base" as the business foundation which supports our priority fields, "Life designers," "Agencies such as financial institutions and insurance outlets," "Asset management" and "Overseas operations."

* Abbreviation for Creating Shared Value; management concept of corporation balancing goals of "resolving societal problems" and "enhancing corporate value (raising profits and competitiveness)"

Overview of the Medium-Term Business Plan



*Total of Sumitomo Life + Medicare Life

Each framework of the Plan

1. Brand strategy

We promote initiatives aimed at achieving the goal of becoming an "Ideal life designer" for customers, by enhancing the quality of services in every process through customers' purchase of insurance policies to

payment of insurance claims. We will also promote the CSV project, revolving around SUMITOMO LIFE Vitality Shared-Value Insurance launched in July 2018.

2. Priority fields

a. Multi-channels

(1) Life designers (sales representatives)

We work on building a sales and service structure aimed at CSV, as well as enhance consulting capabilities, promote the utilization of tablets for sales activities and provide expeditious services, recruiting and training excellent sales staffs.

(2) Agencies such as financial institutions and insurance outlets

We will promote the sales of products of the Company and our subsidiary Medicare Life Insurance, through maintaining and expanding the largest sales network in the industry, promoting the strategy to form a wider range of partnerships, and enhancing the product lineup in response to customer needs.

b. Asset management

We will carry out more sophisticated asset management while taking appropriate risk control measures in order to stably provide life insurance products suitable for customers' needs such as asset building as well as ensure payments of insurance claims and benefits to customers in the future.

c. Overseas operations

We aim to build an overseas business portfolio to achieve a balance between growth potential and profitability making efforts to enhance the value of our Asian business and achieving stability in revenues of Symetra Financial Corporation, while we are also pursuing new business potential. In addition, we will put in place the platform including the expansion of a pool of human resources which supports our overseas business development.

3. Business foundation

a. Customer services

By ensuring the basic quality of services in every process through customers' purchase of insurance policies to payment of insurance claims, we will promote swift, elaborate and sincere customer service, working on maintaining and enhancing the quality of administration and services as we strive towards the goal of "customer-oriented business operation."

b. Management base

We strive to strengthen the management base by promoting work style reforms and diversity, sophistication of corporate governance, and advancing ERM based on the risk-return balance.

Target values

Target item	End of fiscal 2016	End of fiscal 2017	Medium-Term Business Plan targets (End of fiscal 2019)
Embedded value (EV)*1*2	¥3,766.0 billion	¥4,025.7 billion	¥4,560.0 billion (Three-year ROEV*3 +21.1%)
Annualized premium of policies in force*2	¥2,352.3 billion	¥2,363.5 billion	¥2,440.0 billion (Three-year growth rate +3.7%)
Of which, living benefits + medical coverage*2	¥552.9 billion	¥573.0 billion	¥610.0 billion (Three-year growth rate +10.3%)

*1 Calculated based on certain economic assumptions

*3 Abbreviation for Return on EV, indicates the growth rate of EV

*2 Total of Sumitomo Life and Medicare Life

Review of Operations



Individual Life Insurance and Annuities

The annualized premiums from policies in force for the third-sector insurances, a growth area, increased steadily for fifteen consecutive years.

Annualized Premiums from Policies in Force (Sumitomo Life Group)

Reviewing our fiscal 2017 consolidated performance for the Sumitomo Life Group, annualized premiums from policies in force increased 1.6% from the end of the previous fiscal year to ¥2,783.2 billion (\$26.1 billion). Annualized premiums from policies in force for the third-sector insurances, which we focus on as a growth area, increased 3.6% year on year to ¥573.0 billion (\$5.3 billion), on the basis of two domestic entities (Sumitomo Life and Medicare Life) excluding Symetra, growing steadily for fifteen consecutive years since we started to publish such figures.

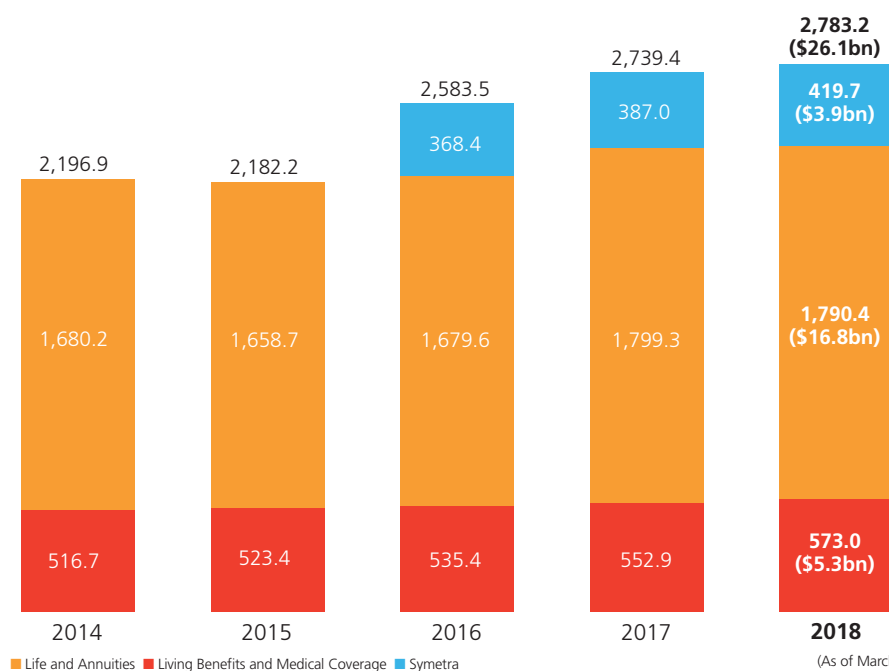
The two main reasons for these consecutive increases in Japan are:

1. We have achieved steady results through “multi-channel, multi-product strategy” in three growing markets (nursing care (including work disability), medical insurance and retirement planning), which are expanding along with the advent of a long lived society.
2. We have reduced the surrenders and lapses of existing policies sold through our sales representative network by maintaining thorough contact with policyholders, and efforts to improve after-sales customer service.

The Annualized Premiums from Policies in Force (Sumitomo Life Group)

(¥ billions)

* Sumitomo Life, Medicare Life and Symetra



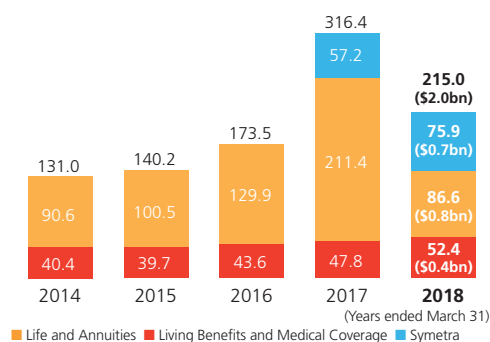
*Symetra closes its account on December 31 each year. US dollar figures for Symetra have been converted from the Japanese yen figures published in the Japanese-language Financial Results using the exchange rate as of the end of March 2018.

Annualized Premiums from New Business

In fiscal 2017, the Sumitomo Life Group's annualized premiums from new business decreased 32.0% from the previous fiscal year to ¥215.0 billion (\$2.0 billion). The decrease from the previous fiscal year was due to the effects of strong sales results of saving-type products in the previous year in the domestic business. On the other hand, annualized premiums from the third-sector insurances, which we focus on as one of the growth areas, increased 9.5% to ¥52.4 billion (\$0.4 billion) from the previous fiscal year.

Annualized Premiums from New Business (Sumitomo Life Group)

(¥ billions) * Sumitomo Life, Medicare Life and Symetra



*Symetra's performance has been recorded since February 2016.

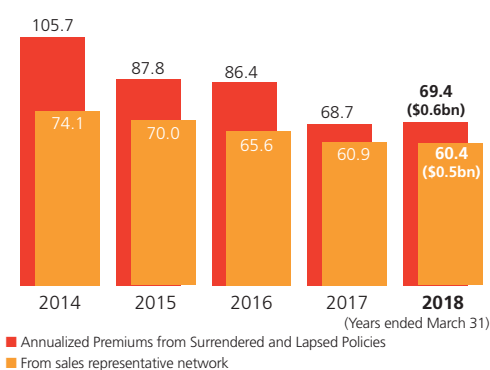
Annualized Premiums from Surrendered and Lapsed Policies

Sumitomo Life's annualized premiums from surrendered and lapsed policies increased 1.0% to ¥69.4 billion (\$0.6 billion) over the previous year.

The annualized premiums from surrendered and lapsed policies sold through our sales representatives, our primary sales channel, decreased 0.9% to ¥60.4 billion (\$0.5 billion), continuing a trend of improvement. This primarily reflects our sales representatives' effort to maintain regular contact with policyholders.

Annualized Premiums from Surrendered and Lapsed Policies (Sumitomo Life)

(¥ billions)



Operating Results

Adjusted core business profit of the Group grew steadily to ¥361.7 billion (\$3.4 billion).

Core Business Profit

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

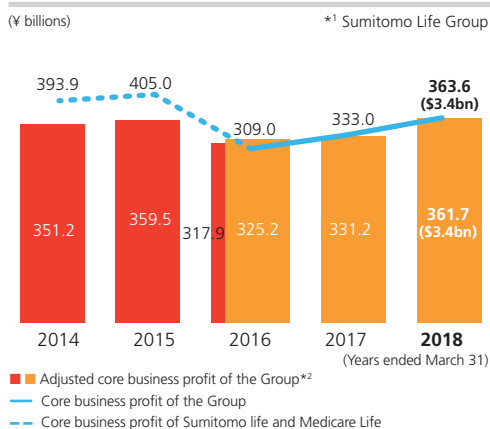
In fiscal 2017, core business profit (Sumitomo Life Group), which represents profitability excluding the impact of the standard policy reserves concerning the minimum guarantees for variable annuities, etc., increased 9.2% from the previous fiscal year to ¥361.7 billion (\$3.4 billion).

Meanwhile, the size of the negative spread has been constantly shrinking since fiscal 2001 when the Company started its disclosure, which turned positive for the first time in fiscal 2014 and the width of the positive spread has expanded for four consecutive years.

The reasons for above are:

1. Older policies with higher assumed interest rates are maturing and the percentage of new policies with lower assumed interest rates is increasing.
2. The average assumed interest rate is falling primarily due to allocation of additional policy reserves to individual annuity policies that commence annuity payments by applying the most recent statutory based assumptions at the time.
3. Our investment returns improved as a result of our initiatives to improve earnings such as the expanded investment in foreign bonds despite the low interest rate environment.

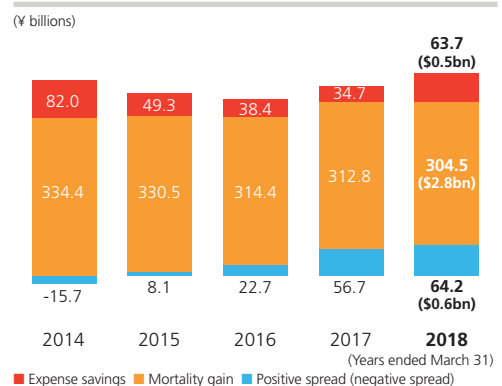
Core Business Profit (line graph) and Adjusted Business Profit (bar graph)



*1 Core business profit of the Group (see the solid line graph) is calculated by combining core business profit of Sumitomo Life and Medicare Life, and profit before tax of Symetra, BaoViet Holdings, BNI Life, and PICC Life attributable to Sumitomo Life's equity stake in each company, with adjustments made to some internal transactions. The dotted line graph indicates the sum of core business profit of Sumitomo Life and Medicare Life.

*2 Adjusted core business profit (see the bar graph): Core business profit excluding the impact of provision (reversal) of the standard policy reserves, etc. concerning variable annuities.

Sources of Profits





Financial Strength

Accumulated retained surplus increased to ¥1,802.9 billion (\$16.9 billion).

Accumulated Retained Surplus

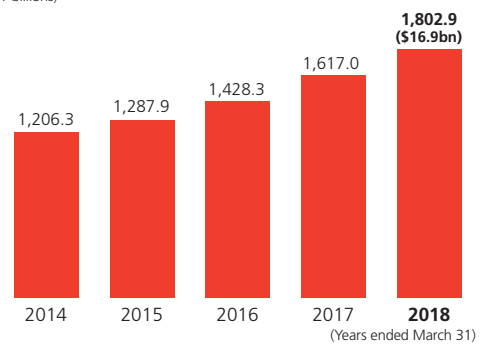
Accumulated retained surplus (Sumitomo Life)* increased ¥185.9 billion in fiscal 2017, to ¥1,802.9 billion (\$16.9 billion).

We will continue to reinforce our long-term financial strength by accumulating surplus while maintaining a good balance with the distribution of dividends to policyholders.

*Contingency reserves + Reserve for price fluctuation + Fund for price fluctuation allowance + Reserve for redemption of foundation funds + Reserve for fund redemption

Accumulated Retained Surplus (Sumitomo Life)

(¥ billions)



Capital Policies

In line with an economic value-based solvency regime expected to be introduced in the future, our basic stance is to focus on accumulating surplus and to have external financing play a supplemental role.

Regarding external financing, ¥70.0 billion of the foundation funds raised in fiscal 2011 came to maturity in August 2017. Meanwhile, we issued \$1.34 billion subordinated bond denominated in U.S. dollars in September 2017, following the lowered interest rate in Japan.

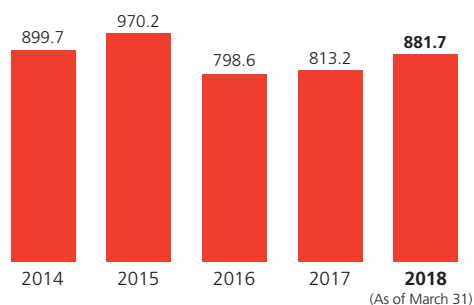
Solvency Margin Ratio

The solvency margin ratio is the ratio of total solvency margin to total risk amount, which quantifies various risks. Our solvency margin ratio was 881.7% (consolidated) at the end of fiscal 2017. The ratio far exceeds 200%, the level which would require administrative-intervention in Japan.

In anticipation of the introduction of an economic value-based solvency regime, we are making efforts to control risk and accumulate retained surplus referring to the Solvency II Framework of Europe and the trend of international capital regulation.

Solvency Margin Ratio (Consolidated)

(%)



Dividends to Policyholders

Our basic policy towards policyholder dividends is to provide stable returns in consideration of factors including the present and future earnings situation and the level of retained surplus, as well as to keep balance between maintaining a sufficient level of retained surplus to withstand downside risk and enhancing policyholder returns.

Based on the above policy, for individual life insurance and individual annuities in fiscal 2017, we increased mortality dividend rates and disaster and sickness special dividend rates (including long-standing policy dividends for some riders), and maintained the same dividend rates for others.

Financial Strength Ratings

As of the end of June 2018, we have received A ratings from four rating agencies, namely A from Standard & Poor's (S&P), A1 from Moody's, A+ from Rating and Investment Information (R&I), and A+ from Japan Credit Rating Agency (JCR).

Our current rating is at the highest level since 1997. This was mainly attributable to our extremely high competitiveness in the Japanese market.

Rating Status

S&P	Moody's	R&I	JCR
A	A1	A+	A+

(As of June 30, 2018)



European Embedded Value (EEV)

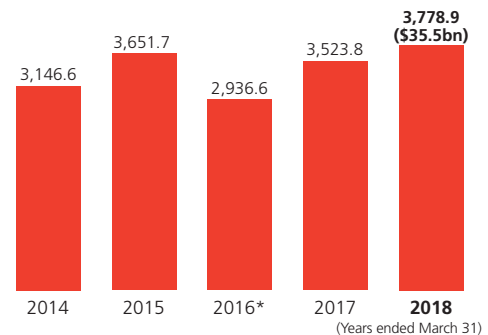
The Sumitomo Life Group's EEV marked ¥3,778.9 billion (\$35.5 billion) at the end of fiscal 2017.

European Embedded Value (EEV)

The Sumitomo Life Group's EEV at the end of fiscal 2017 increased ¥255.0 billion year on year to ¥3,778.9 billion, primarily due to the successful results of the insurance business such as acquiring new business and securing earnings from policies in force, which effectively covered the negative impact of decrease in domestic interest rates.

EEV (Sumitomo Life Group)

(¥ billions)



* The EEV of the Group is calculated as follows: Sumitomo Life's EEV plus Medicare Life's EEV and Symetra's EEV attributable to Sumitomo Life's equity stake in Medicare Life and Symetra less Sumitomo Life's carrying amount of equity of Medicare Life and Symetra. Symetra has been included in Sumitomo Life's EEV since the end of March 2016.

* The EEV stated after the end of March 2016 is the amount after applying an ultimate forward rate.



Multi-Channel, Multi-Product Strategy

To achieve sustainable growth, in addition to the traditional mortality products, we are actively developing growth areas, such as nursing care (including work disability), medical insurance, and retirement planning, which are expected to grow along with the advent of a highly greying society and changes in lifestyle. Moreover, focusing on the increase in awareness of health, we launched SUMITOMO LIFE Vitality Shared-Value Insurance in July 2018.

We are marketing products in these growth areas through our sales representatives as well as through our bancassurance network including banks and the Japan Post Group. In addition, our subsidiary Medicare Life Insurance Co., Ltd., mainly provides affordable medical insurance that offers total support covering cancer, medical treatments and others through insurance outlets, the Internet and bancassurance. We strive to improve our market presence by providing advanced products that meet diversifying customer needs through our unique “multi-channel, multi-product strategy.”

Sales Channels and Respective Products

(As of July 2018)

		Life insurance						Property-casualty insurance
Customer needs	Individual life insurance				Corporate insurance		In case of a sudden accident	
	Mortality	Nursing care, work disability	Medical insurance	Savings	Protection	Asset building		
Products offered	<ul style="list-style-type: none"> Shared-Value Insurance 		<ul style="list-style-type: none"> Single-premium whole life insurance (Yen-denominated) スミセイの 終身保険 (Foreign-currency denominated) 		<ul style="list-style-type: none"> Mortality coverage スミセイの定期保険 スミセイの定期保険 新長期プラン スミセイの低解約返戻金型定期保険 		<ul style="list-style-type: none"> Automobile insurance クルマの保険 Property insurance すまいるの保 Casualty insurance ケガの保険 三井住友海上 三井住友海上 三井住友海上 	
	<ul style="list-style-type: none"> Comprehensive protection insurance スミセイの特別独立型保険 		<ul style="list-style-type: none"> Medical insurance スミセイの医療保険 たよれるYOU+ Level-premium whole life insurance スミセイの医療的返戻金型定期保険 スミセイの医療的返戻金型定期保険 		<ul style="list-style-type: none"> Medical coverage Work disability coverage 			
	<ul style="list-style-type: none"> Income assurance insurance 		<ul style="list-style-type: none"> Medical insurance (simple and affordable) Specified disease protection insurance 		<ul style="list-style-type: none"> Individual annuities スミセイの個人年金保険 Insurance for children スミセイの学資保険 スミセイの学資積立保険 		<ul style="list-style-type: none"> Short term スミセイの低解約返戻金型定期保険 生活障害定期 スミセイの定期保険 新長期プラン 還付定期 	

Sales Representatives

Our primary sales channel includes over 30,000 full-time sales representatives.

Our sales representatives with their strong consulting abilities are the most effective sales channel to provide the new value of life insurance, i.e., health-enhancing, to numerous customers while developing the growing fields of nursing care (including work disability), medical insurance and retirement planning.

We believe it is important to provide high-quality face-to-face consulting services and reliable after-sales customer services by sales representatives. Specifically, we focus on easy-to-understand and persuasive consulting services through a consulting tool, "Future Diagnosis," which can simulate the required coverage amount based on members and ages of the customer's family and future income and expenses plan by using "Sumisei Lief," a tablet for sales representatives.

With about 11 million policies in force, in order to provide a sense of security and satisfaction to all of our customers in the existing customer base, we are committed to the "Sumisei Future Support Activities," in which we review the conditions of every policy and carry out any necessary maintenance, as well as provide the latest information. Through regular visiting activities conducted every year, we ensure customers fully understand the contents of the insurance policies they hold, and via checking for major life events such as marriage or childbirth or any necessary procedures, we provide consulting on whether the coverage best fits the current customer needs, and make proposals on review of coverage or additional policies if necessary.

Furthermore, we are working on quick and accurate response to claims and other requests through utilization of "Lief Direct" function in "Sumisei Lief," which can process policy maintenance in front of customers, as well as promotion of initiatives on receipt notification for insurance claims and benefit payments, whereby we seek to provide empathetic services for our customers.

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

On the product front, in September 2015, Sumitomo Life launched "1-UP," which covers work disability, the first product of its kind offered by a major Japanese life insurance company. In March 2017, in order to reach more customers via "1UP", we released "Prime Fit," "1 PACK," a product for children, and "1UP WOMAN," a package plan for female customers. Designed to protect the lifestyles of customers and their families and to support a reintegration into society when the customer has become unable to work as a result of illness or injury, "1-UP" is an insurance that enables customers to live vigorously.

In July 2018, we launched SUMITOMO LIFE Vitality Shared-Value Insurance. The Vitality Wellness Program is a globally recognized program that helps policyholders get healthier by giving them the tools, knowledge, access, and incentives to enhance their health. SUMITOMO LIFE Vitality is a product that incorporates this program, which reduces risk itself at the same time as preparing in case of a risk, and could be said to be an insurance which allows us to "create new value for customers and build the future together."

To further respond to diversifying customer needs, we entered into a partnership with NN Life Insurance Company, the Japanese subsidiary of NN Group N.V., an insurance group based in the Netherlands, and have been selling NN Life's products for corporate clients as its sales agent since April 2017.

■ Review of Operations

In addition, we are implementing initiatives to both provide attractive products to customers and enhance complimentary services.

We have introduced the “Sumisei Second Opinion Service” that allows customers to receive second opinions concerning disease treatment and the “Sumisei Care Advice Service” that offers in-person or over-the-phone consultations regarding nursing care by experts such as care managers.

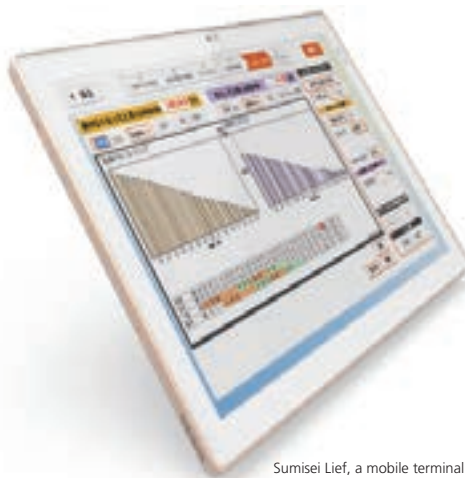
Furthermore, by offering property-casualty insurance in addition to life insurance, Sumitomo Life’s sales representative channel provides customers with more comprehensive coverage that combines aspects of property casualty insurance and life insurance.

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 2017 reached ¥67.8 billion. We are aiming to diversify our earnings base by commission from these sales, as well as striving to expand and strengthen our life insurance customer base by offering additional property-casualty insurance coverage.



Consulting materials



Sumisei Lief, a mobile terminal

Bancassurance

The “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 highly greying society. Banks, with total deposits of nearly ¥1,000 trillion and a broad customer base, are one of the most effective channels for developing this market.

We have a network of more than 300 banks and financial institutions, one of the largest bancassurance networks of any life insurer in Japan.

Our key bancassurance product, single-premium whole life insurance, continues to attract strong demands as measures for inheritance. We also launched level-premium fixed individual annuities in January 2014, and level-premium whole life insurance, whose cash value increases after a certain period of time from the date of contract, in July 2014. Furthermore, we started selling foreign currency-denominated single-premium whole life insurance in April 2017.

On the service front, we introduced a system in October 2015 that allows customers to directly complete applications for multiple insurance products, using a single terminal. The aim is to enhance customer convenience.

Japan Post Group

Privatized in October 2007, the Japan Post Group is an attractive sales channel with the country's largest network of over 20,000 branches (the number of branches offering insurance products as of the end of May 2018), and we have developed close relationships with them.

We are promoting proper compliance and insurance sales by implementing finely-tuned support and training through our nationwide wholesalers responsible for Japan Post, and answering inquiries from Japan Post's group companies at our dedicated support desks.

We will continue to improve our superior position in the Japan Post Group and endeavor to strengthen our services.

Medicare Life

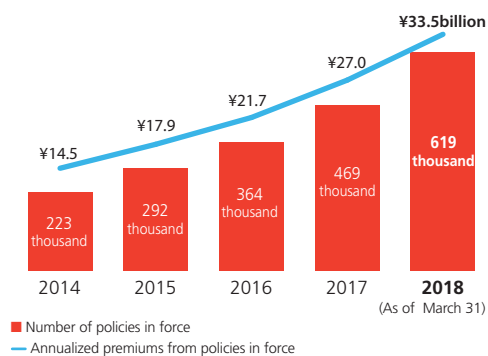
In Japan, a growing number of customers prefer to select insurance after comparing various products. Insurance outlets, which recommend suitable products for each customer from the products of multiple insurance companies, have been increasing nationwide to meet this change in customer needs.

We responded to these trends by launching a subsidiary, Medicare Life in April 2010 to provide competitive, simple and affordable insurance products through insurance outlets, the Internet and financial institutions, under a brand distinct from Sumitomo Life.

Medicare Life introduced its key product, level-premium medical insurance in April 2012. In addition, it launched substandard whole life medical insurance, which can be sold to customers who do not qualify for standard products in October 2013. In May 2015, Medicare Life introduced a full-scale first-sector product by starting sales of income protection insurance.

In fiscal 2017, its annualized premiums from policies in force increased 24.0% year on year to ¥33.5 billion. This is a result of expansion of the product lineup through the introduction of 2 new products including specified disease insurance with lump sum benefits in fiscal 2016, and efforts to increase customer convenience such as making application procedures paperless in fiscal 2017. In addition, it registered over 600,000 policies in force at the end of March 2018, showing that it is on a favorable growth track.

Policies in Force of Medicare Life



6

Overseas Operations

Along with efforts to develop domestic growth areas, we are actively seeking growth opportunities in overseas markets. We are earning dividend income from all investee companies overseas, which helps construct a business portfolio equipped with both stability and growth potential.

North America

In 2016, we acquired full ownership of Symetra Financial Corporation, a U.S. life insurance group. The U.S. is the world's largest life insurance market where stable growth is expected for the future.

Symetra operates in three business lines of benefits, retirement, and life. Symetra has achieved stable growth supported by strong trust relationships with its national network of benefit consultants, financial institutions and independent agents and advisors. In addition to expanding sales of medical stop loss insurance and fixed annuities for which Symetra holds a leading position in the industry, we will make use of the relationships developed with benefit consultants and independent agencies through these products in an effort to increase sales of other products as well.

Its annualized premiums from new business were ¥75.9 billion, approximately 35% of the total of the Sumitomo Life Group's ¥215.0 billion for fiscal 2017. For policies in force, Symetra owns ¥419.7 billion, approximately 15% of the total of the Sumitomo Life Group's ¥2,783.2 billion. (US\$1 = ¥113.00, as of the end of December 2017.)

The Company has assigned several of its employees to work in Symetra at the board and operational levels in order to establish strong communications between the Company and Symetra. The Company aims to support long-term enhancement of our policyholder interests through the acquisition of Symetra, which is expected to realize enhancement of earnings base, risk diversification and enjoyment of growth opportunity in the U.S. market.

Asia

We have expanded overseas operations in Asia through efforts including capital investments in and the dispatching of our employees and officers to leading local partners in China, Vietnam, and Indonesia.

We established PICC Life Insurance Company Limited in November 2005 in partnership with the People's Insurance Company (Group) of China Limited which is the parent company of PICC Property & Casualty Limited, China's largest non-life insurance company. Sumitomo Life presently owns 10% of PICC Life as a strategic partner, and dispatches Directors to PICC Life to participate in its management.

PICC Life operates business offices across the country, and total premiums for fiscal 2017 increased by 1.1% year on year, which places the company eighth in the industry in terms of premiums from policies in force.

■ Review of Operations

In 2013, we acquired 18% of the issued shares of Baoviet Holdings, Vietnam's largest insurance and financial group. We are now the largest shareholder after the Vietnamese government, and are dispatching our employees and officers, including directors to life insurance companies of the Group. To capitalize growth in the Vietnamese market, we are supporting the Group by providing our expertise, including product development and IT system development.

In 2017, total premiums increased by 29.8% year on year, and Baoviet Holdings became the No. 1 in the industry.

Furthermore, in 2014, we acquired approximately 40% of the total number of issued shares of PT BNI Life Insurance, a life insurance subsidiary of PT Bank Negara Indonesia (Persero) Tbk, one of the major state-owned commercial banks in Indonesia.

We are dispatching our employees and officers, including directors and auditors to BNI Life in an effort to establish the Indonesian market through technical support in areas including bancassurance, group insurance, and systems development.

In 2017, total premiums increased by 22.6% year on year, and BNI Life moved from the top 16th in the industry in 2014 when we first invested in it, to the top tenth.

Representative Offices

We have established overseas representative offices in New York, London, Beijing and Hanoi, which we utilize as platforms for our research and information gathering concerning further overseas expansion and broad range of business development in insurance and other financial fields.



Asset Management (General Account)

Our basic strategy is to promote the Asset-Liability Management (ALM) framework. In order to secure stable earnings and reliably make payments such as insurance claims, we will invest mainly in yen-denominated interest-bearing assets such as long-term public and corporate bonds and loans. Furthermore, we aim to improve returns by investing in stocks and foreign bonds within acceptable risks.

Asset Management

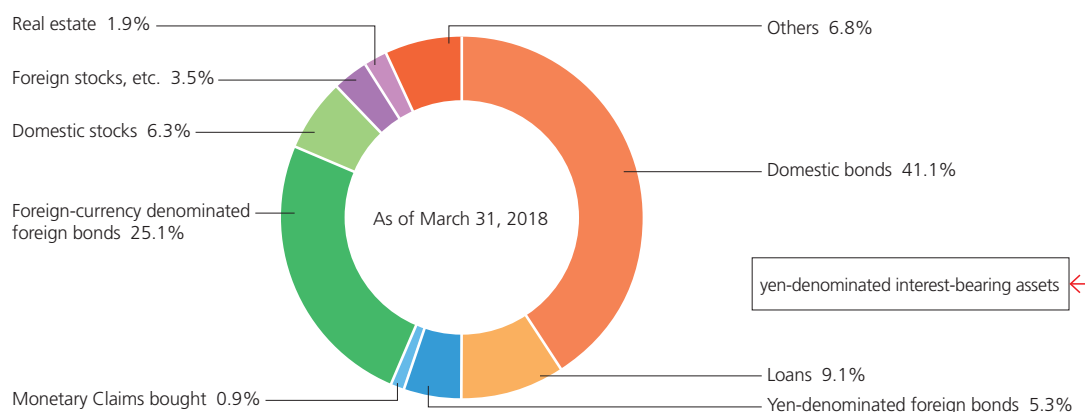
Our asset management portfolio is divided into two categories, “improve returns” and “reinforced risk control” according to the purpose of each investment, thereby sophisticating our asset management in order to offer insurance products that meet customer needs.

With respect to the portfolio centered on yen-denominated interest-bearing assets serving objectives of reliable payments of insurance claims, etc., we expanded investment in credit assets and currency-hedged foreign bonds in order to improve investment returns under the prolonged low interest rate environment.

Concerning the portfolio centered on risk assets such as stocks and foreign bonds serving objectives of the sustainable improvement of corporate value (EV), we flexibly traded domestic stocks, non currency-hedged foreign bonds, and currency-hedged foreign bonds based on the market prospects.

Furthermore, we promoted stewardship activities by carrying out dialogues with the companies we invest in with a view to enhancing their equity values.

General Account Assets Portfolio (Balance sheet basis)



(As of March 31)	2014	2015	2016	2017	2018
General account assets	¥23.7 trillion	¥25.0 trillion	¥25.9 trillion	¥28.8 trillion	¥30.5 trillion
Domestic bonds	52.7%	50.8%	49.6%	43.8%	41.1%
Loans	10.4%	9.3%	8.5%	10.3%	9.1%
Yen-denominated foreign bonds*2	6.2%	6.9%	6.6%	5.8%	5.3%
Monetary Claims bought	1.2%	1.0%	0.8%	0.8%	0.9%
Foreign-currency denominated foreign bonds*1	15.6%	17.2%	19.6%	22.7%	25.1%
Domestic stocks	5.1%	6.6%	5.5%	5.9%	6.3%
Foreign stocks, etc.	2.3%	2.3%	3.6%	3.4%	3.5%
Real estate	2.9%	2.6%	2.4%	2.0%	1.9%
Others	3.5%	3.3%	3.5%	5.4%	6.8%

*1 Foreign-currency denominated foreign bonds (including those issued by residents) include hedged foreign bonds.

*2 Yen-denominated foreign bonds include foreign-currency denominated foreign bonds with a fixed amount in Japanese yen.

Corporate Governance

Governance

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

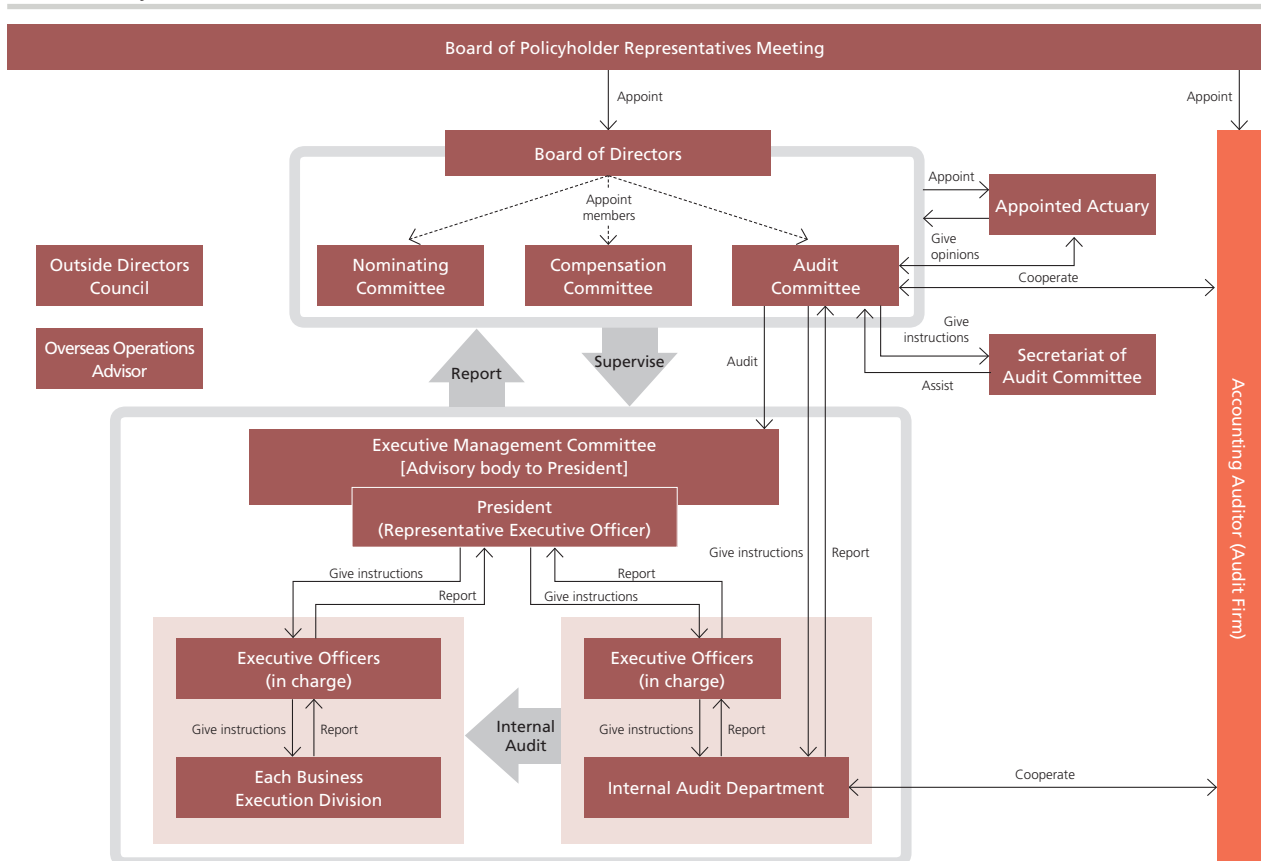
At the Annual Board of Policyholder Representatives Meeting, 180 elected policyholder representatives make decisions on important matters, including the appropriation of the Company's net surplus, changes to the articles of incorporation, and the appointment of directors.

As for the design of bodies involved in management including the Board of Directors, the Company transitioned to Company with Committees in July 2015, with a view to further strengthening its corporate governance framework.

As Company with Committees, the Company has established three committees namely Nominating Committee, Audit Committee and Compensation Committee, each with majority of members represented by Outside Directors.

Important management matters such as nomination of candidates for Directors, compensation for Directors and Executive Officers and matters relating to audit has been decided by the respective Committee, which is expected to lead to further enhancement of management transparency and objectivity of decision-making.

Governance System



Furthermore, the Company, by this transition, strives to speed up the pace of management through delegating business execution decisions to Executive Officers, for the purpose of prompt and resolute decision-making, to ensure continuous corporate growth and enhancement of corporate value over the medium to long term.

In parallel with the transition to Company with Committees, Outside Directors Council has been established comprising all Outside Directors.

The Council has been established to facilitate exchange of opinions, as well as to achieve consensus between Outside Directors and top management, regarding important management matters such as those concerning medium to long term management strategies and corporate governance.

Policyholder Dialogues are held annually and, in 2018, we held 89 such Dialogues at branches throughout the country 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 every year so that those opinions will be reflected in company management.

Our Measures for the Corporate Governance Code

The Company prepares and discloses on a voluntary basis the report in accordance with “Corporate Governance Report” as prescribed by the Tokyo Stock Exchange, from the viewpoint of enhancing information disclosure.

In addition, Corporate Governance Code is not directly applicable to the Company since it is not a listed company. However, based on the recognition that corporate governance is a common issue regardless of corporate structures, the Company responds to this issue on a voluntary basis. The Company also responds on a voluntary basis to “Reasons for not implementing each principle in the Corporate Governance Code” and “Disclosure based on each principle in the Corporate Governance Code” in this report.

Promoting Compliance

We consider strictly observing law and regulations to be an important management issue in order to more firmly establish the basic business policy of living up to the trust of customers, and based on this belief, we have established a system to promote compliance.

In order to fulfill our mission of contributing to social and public welfare through the life insurance business, we faithfully conduct business in accordance with our Management Policy and the Sumitomo Life Group Code of Conduct. In addition, we have formulated the Legal Compliance Policy and Insurance Solicitation Management Policy to clarify the basic policy concerning compliance, based upon which we have developed a compliance promotion system.

Furthermore, in an aim to foster a corporate culture that values compliance, we utilize the Compliance Manual and Insurance Solicitation Compliance Manual that cover matters such as the basic approach to compliance and particularly important matters in order to ensure that they become fully aware of compliance, and have also been holding broad training programs concerning compliance.

In addition, Compliance Committee has been established with the President as the chairman to receive reports on matters such as the status of monitoring and analysis on individual issues and to conduct discussions aimed at resolving these issues.

Furthermore, the Compliance Control Department that supervises compliance for the Company works to address the individual issues described above, makes reports on the state of compliance for the entire Company to bodies including the Board of Directors, and receives instructions as required for the management of operations.

Risk Management

In Japan, introduction of an economic value-based solvency regime is expected.

In anticipation of the future introduction, we have taken advanced measures such as implementation of an economic value-based integrated risk management and disclosure of EEV for the first time as a mutual company in Japan.

We are utilizing and continuously upgrading our integrated risk management system as an effective tool that contributes to management's strategic decision making by comprehensively evaluating various risks arising in the changing business environment from a company-wide perspective, and measuring the risk relative to the level of capital, etc.

The Company's Basic Policies for "Japan's Stewardship Code"

The Company invests in the corporate stocks that are believed to present with medium- to long-term increase in equity values, and strives to get involved with investee companies as a shareholder through active dialogue in terms of various viewpoints, including sustainable profit growth, profit distribution to shareholders, and corporate governance, in order to promote the enhancement of medium- to long-term increase in equity values. Accordingly, for the exercise of its voting rights, the Company makes decisions based on such dialogues from medium- to long-term viewpoints.

Meanwhile, we announced the acceptance of "the Principles for Responsible Institutional Investors (Japan's Stewardship Code)," as we agree to its underlying objective to promote sustainable growth as well as enhancement of corporate value of investees through dialogues.

In May 2017, we established the "Policy on customer-oriented business operations," and as a part of the measures based on these, we established the "Third-party Committee Regarding Stewardship Activities" and started disclosing the results for the exercise of voting rights individually, in order to strengthen and increase the transparency of the management of conflicts of interests related to stewardship activities, including the exercise of voting rights.

Corporate Information

(As of July 4, 2018)

Directors



Chairman of the Board
Yoshio Sato *



Director
Masahiro Hashimoto *



Director
Masaya Honjo



Director
Hidenori Shinohara *



Director
Masahito Fujito *



Outside Director
Chief Corporate Adviser,
NTT DATA Corporation
Toru Yamashita



Outside Director
Managing Partner,
Yabuki Law Offices
Kimitoshi Yabuki



Outside Director
Executive Corporate
Adviser, IHI Corporation
Kazuaki Kama



Outside Director
Adviser of The Japanese
Institute of Certified Public
Accountants as former
President
Kimitaka Mori



Outside Director
Partner, Katayama -
Hiraizumi Law Offices
Toshiko Katayama



Outside Director
Senior Partner,
Kajitani Law Offices
Masaaki Oka

* Executive Officer

The designation of committee members and the Chairman of each committee are as follows:

Nominating Committee

Toru Yamashita (Chairman)
Kimitoshi Yabuki
Toshiko Katayama
Yoshio Sato
Masahiro Hashimoto

Audit Committee

Kazuaki Kama (Chairman)
Kimitaka Mori
Masaaki Oka
Masaya Honjo

Compensation Committee

Toru Yamashita (Chairman)
Kimitoshi Yabuki
Toshiko Katayama
Yoshio Sato
Masahiro Hashimoto

Executive Officers, as defined in the Companies Act

Representative Executive Officer

Yoshio Sato *

President & Chief Executive Officer
(Representative Executive Officer)

Masahiro Hashimoto *

Senior Managing Executive Officers
(Representative Executive Officers)

Hidenori Shinohara *

Masahito Fujito *

Senior Managing Executive Officer

Toshimatsu Araki

Managing Executive Officers

Hisato Kogawa

Shinzo Kono

Hideharu Matsumoto

Kenichi Nagataki

Hideyuki Sumi

Katsunobu Fujiyama

Masashi Sakai

Takeshi Eimori

Iwao Matsumoto

* Director

Executive Officers, as defined in our internal regulations

Managing Executive Officers

Kazunori Suguru

Hiroshi Yonebayashi

Hirokazu Kitagoshi

Katsunori Hirai

Senior Executive Officers

Hideki Oyama

Kazuhiko Kusaka

Yukinori Takada

Executive Officers

Keiko Matsumoto

Yasuo Kobayashi

Fumihiko Komatsu

Tatsuya Yuri

Hideo Fuji

Kazuhiko Arai

Yoshihiro Nakano

Makoto Matsumoto

Ichiryu Kawai

Toru Shiomitsu

Kiyoshi Horie

Toyoki Iwai

Directory

SUMITOMO LIFE INSURANCE COMPANY

Head Office

1-4-35, Shiromi, Chuo-ku, Osaka 540-8512, Japan
Tel: +81 (6) 6937-1435

Tokyo Head Office

7-18-24, Tsukiji, Chuo-ku, Tokyo 104-8430, Japan
Tel: +81 (3) 5550-1100

* If you have any inquiries, please contact:

Capital Planning Section

Corporate Planning Department

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

Tel: +81 (3) 5550-5818 Fax: +81 (3) 5550-1161

Representative Offices

New York Representative Office

1350 Avenue of the Americas, Suite 1610,
New York, NY 10019, U.S.A.

Tel: +1 (212) 521-8340 Fax: +1 (212) 750-7930

London Representative Office

5th Floor, Salisbury House,
London Wall, London EC2M 5QQ, U.K.

Tel: +44 (20) 7256-7630 Fax: +44 (20) 7374-2953

Beijing Representative Office

719, 7/F Beijing Fortune Building, No.5 Dong San Huan Bei Lu,
Chao Yang District, Beijing 100004, China

Tel: +86 (10) 6561-6120 Fax: +86 (10) 6561-6142

Hanoi Representative Office

11th Floor, Thu Do Building, 72 Tran Hung Dao,
Hoan Kiem, Hanoi, Vietnam

Tel: +84 (24) 3946-0444 Fax: +84 (24) 3946-0445

■ Creation of Affluent Society

We believe that contributing and returning to society is one of our most important management priorities, and are advancing social contribution activities primarily focused on priority themes: “Health-enhancing” and “support for child raising,” considering the affinity of these activities with the life insurance business.

Health-enhancing

Social Contribution Business related to Health

The Company started the CSR activity “Sumisei Vitality Action” in 2017 with the purpose of enhancing health and commemorating the 110th anniversary of foundation.

CONCEPT

- “Move your body with your loved ones!”

Sumisei Vitality Action is a project through which we hope to enhance health and happiness by encouraging participants to move their bodies with their loved ones.

To enhance health, an appropriate amount of regular exercise is necessary. To encourage regular exercise, we recommend participants to “Move your body with your loved ones.”

EFFORTS

- To create opportunities for participants to start exercising

Going forward, we will invite top athletes from every field to host “parent-child sports events,” etc. in 110 places all over Japan. Through encouraging parents and children to exercise together, we aim to enhance health and deepen family bonds.

Moreover, we also plan to participate in the organization of RUN events, etc., which are connected to the Health-enhancing by allowing participants to enjoy running with friends and family members.

In addition, the Sumitomo Life Health Foundation provides support to regional sports groups.

- To promote deeper understanding of health-related issues

We organize health-themed lectures all over Japan, joining hands with the Sumitomo Life Welfare and Culture Foundation and the Sumitomo Life Health Foundation. Furthermore, we distribute promotional brochures, as well as other activities.

[Initiatives related to cancer]

We support cancer patient associations, etc. for the purpose of promoting early detection and treatment of cancer as well as supporting cancer patients and their families. We also conduct educational activities such as the “Cancer Treatment without a Fight: Particle Beams Seminar,”



where we welcome the Doctor of Medicine Mr. Yoshio Hishikawa to give a lecture on "Cutting-Edge Cancer Treatment: Particle Beam Therapy." Furthermore, under the supervision of the National Cancer Center Japan, we have created tools such as "Things to Know about Cancer" and "Cancer Prevention Supporter," which are distributed throughout Japan.

[Initiatives related to dementia]

We also provide support to associations that engage in dementia care. In addition, through specified courses, we have been training "dementia supporters". 11,162 supporters (as of March 31, 2018) have completed the course so far.

Support for Child Raising

Sumitomo Life provides support in child raising, mainly from before childbirth to later childhood, focusing on the concept of "a place for children," in order to support the healthy growth of children and child raising in society.

Child Raising Project to Empower the Future

Sumitomo Life sponsors "Awards in Support of Child Raising" and "Sumisei Woman Researcher Encouragement Prizes" backed up by the Ministry of Education, Culture, Sports, Science and Technology, and the Ministry of Health, Labour and Welfare. We grant the Awards in Support of Child Raising to and thereby assist distinguished activities that support child raising across the country, while introducing them as role models in an effort to spread the good practice to other areas.

The "Sumisei Woman Researcher Encouragement Prize" is a grant program intended to support both studies and child raising by woman researchers.

Sumisei After School Project

Meanwhile, we are committed to "Sumisei After School Project," another activity in support of child raising aimed at improving the child-raising environments in all regions of Japan. Under this project, programs including onsite schooling are offered to after school child care centers across the country, with a view to enhancing the nonhardware aspects of after school child care. This initiative received the "2017 Good Design Award."



■ Creation of Affluent Society

Children's Drawing Contests

Since 1977, we have also organized international children's drawing contests to help the healthy growth of children. Over 11.2 million works have been submitted 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.



OTHER INITIATIVE

Global Environment

Coral Reef Conservation Project

Coral reefs, a gift of nature to human beings and also serving an important role from the perspective of biodiversity, are being destroyed by such factors as global warming, marine pollution, development, and natural disasters.

Furthermore, we have been engaged in the Coral Reef Conservation Project since 2008, supporting the activities of NGOs in order to conserve coral reefs and promote the establishment of sustainable communities.

Financial Statements

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Notes: 1. U.S. dollar amounts are converted at U.S. \$1.00 = ¥106.24, the rate prevailing on March 31, 2018
2. Amounts of less than one million yen or less than one million dollars have been truncated.

Consolidated Balance Sheets

Sumitomo Life Insurance Company and Consolidated Subsidiaries

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
ASSETS:			
Cash and deposits (Notes 3 and 4)	¥ 979,462	¥ 1,448,620	\$ 13,635
Call loans (Note 4)	203,345	187,361	1,763
Monetary claims bought (Note 4)	230,518	283,252	2,666
Securities (Notes 4, 6, 13 and 14)	27,878,540	29,089,625	273,810
Loans (Notes 4, 15 and 16)	3,642,493	3,445,029	32,426
Tangible fixed assets (Notes 5, 7 and 18)	589,710	581,239	5,471
Land	370,112	359,169	3,380
Buildings	208,730	201,923	1,900
Lease assets	3,641	2,191	20
Construction in progress	902	11,619	109
Other tangible fixed assets	6,323	6,335	59
Intangible fixed assets	301,993	283,089	2,664
Software	18,896	20,026	188
Goodwill	65,097	62,927	592
Lease assets	101	71	0
Other intangible fixed assets	217,898	200,063	1,883
Due from agents	83	109	1
Reinsurance receivables	889	2,737	25
Other assets	394,731	543,952	5,120
Net defined benefit assets (Note 10)	17,736	31,742	298
Deferred tax assets (Note 19)	114,575	140,721	1,324
Allowance for possible loan losses	(1,211)	(1,038)	(9)
Total assets	¥34,352,870	¥36,036,443	\$339,198

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
LIABILITIES:			
Policy reserves and other reserves	¥29,783,141	¥30,457,728	\$286,687
Reserve for outstanding claims	158,838	135,006	1,270
Policy reserves	29,378,351	30,087,173	283,200
Policyholders' dividend reserves (Note 9)	245,951	235,548	2,217
Reinsurance payables	5,880	8,017	75
Corporate bonds (Notes 4 and 20)	401,948	545,868	5,138
Other liabilities	1,983,295	2,661,062	25,047
Payables under securities borrowing transactions (Note 4)	702,759	1,116,092	10,505
Other	1,280,535	1,544,970	14,542
Net defined benefit liabilities (Note 10)	22,565	11,356	106
Reserve for price fluctuation	502,439	657,060	6,184
Deferred tax liabilities (Note 19)	24,555	25,271	237
Deferred tax liabilities for land revaluation	16,061	13,257	124
Total liabilities	32,739,886	34,379,623	323,603
NET ASSETS:			
Foundation funds (Note 12)	170,000	100,000	941
Reserve for redemption of foundation funds (Note 12)	469,000	539,000	5,073
Reserve for revaluation	2	2	0
Surplus	306,955	248,102	2,335
Total funds, reserve and surplus	945,957	887,104	8,350
Net unrealized gains on available-for-sale securities	723,897	841,320	7,919
Deferred gains (losses) on derivatives under hedge accounting	1,703	(2,556)	(24)
Land revaluation differences	(59,460)	(63,710)	(599)
Foreign currency translation adjustments	(29,882)	(44,853)	(422)
Remeasurements of defined benefit plans	30,700	39,415	371
Total accumulated other comprehensive income	666,958	769,616	7,244
Non-controlling interests	66	99	0
Total net assets	1,612,983	1,656,820	15,595
Total liabilities and net assets	¥34,352,870	¥36,036,443	\$339,198

Consolidated Statements of Income and Consolidated Statements of

Sumitomo Life Insurance Company and Consolidated Subsidiaries

[Consolidated Statements of Income]

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Ordinary income	¥ 4,433,940	¥ 3,747,135	\$ 35,270
Insurance premiums and other	3,458,839	2,688,720	25,307
Investment income	861,239	908,399	8,550
Interest, dividends and other income	698,842	752,225	7,080
Gains on trading securities	1,882	376	3
Gains on sales of securities	90,746	84,817	798
Gains on redemption of securities	17,184	7,552	71
Foreign exchange gains	8,834	—	—
Reversal of allowance for possible loan losses	24	162	1
Other investment income	2,684	4,495	42
Investment gains on separate accounts	41,041	58,769	553
Other ordinary income	113,861	150,016	1,412
Ordinary expenses	4,244,184	3,529,268	33,219
Benefits and other payments	2,078,031	2,076,282	19,543
Claims paid	538,675	617,445	5,811
Annuity payments	703,742	634,259	5,970
Benefits payments	342,775	340,386	3,203
Surrender benefits	420,137	423,808	3,989
Other refunds	72,700	60,381	568
Provision for policy reserves and other reserves	1,412,115	723,728	6,812
Provision for policy reserves	1,411,994	723,689	6,811
Provision for interest on policyholders' dividend reserves (Note 9)	121	39	0
Investment expenses	191,492	175,517	1,652
Interest expenses	10,657	21,793	205
Losses on sales of securities	42,313	45,236	425
Losses on valuation of securities	2,328	4,390	41
Losses on redemption of securities	4,266	3,380	31
Losses on derivative financial instruments	99,942	69,781	656
Foreign exchange losses	—	2,119	19
Depreciation of real estate for investments	9,170	8,789	82
Other investment expenses	22,814	20,027	188
Operating expenses (Note 17)	411,227	402,620	3,789
Other ordinary expenses	151,317	151,119	1,422
Ordinary profit	¥ 189,756	¥ 217,867	\$ 2,050

Comprehensive Income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Extraordinary gains	¥ 15,895	¥ 17,632	\$ 165
Gains on disposals of fixed assets	15,895	17,632	165
Extraordinary losses	156,681	180,001	1,694
Losses on disposals of fixed assets	5,386	1,635	15
Impairment losses (Note 18)	341	6,397	60
Provision for reserve for price fluctuation	150,218	154,620	1,455
Losses on reduction of real estate	—	16,601	156
Payments to social responsibility reserve	735	745	7
Surplus before income taxes	48,970	55,498	522
Income taxes (Note 19)			
Current	51,320	59,194	557
Deferred	(58,421)	(73,540)	(692)
Total income taxes	(7,101)	(14,346)	(135)
Net surplus	56,072	69,844	657
Net surplus attributable to non-controlling interests	3	9	0
Net surplus attributable to the Parent Company	¥ 56,068	¥ 69,835	\$ 657

[Consolidated Statements of Comprehensive Income]

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Net surplus	¥ 56,072	¥ 69,844	\$ 657
Other comprehensive income (loss) (Note 21)	617	97,623	918
Net unrealized gains (losses) on available-for-sale securities	279	105,982	997
Deferred gains (losses) on derivatives under hedge accounting	1,703	(3,771)	(35)
Land revaluation differences	(0)	2	0
Foreign currency translation adjustments	(16,207)	(13,049)	(122)
Remeasurements of defined benefit plans	16,589	8,715	82
Share of other comprehensive income (loss) of associates under the equity method	(1,746)	(255)	(2)
Comprehensive income (loss)	56,690	167,468	1,576
Comprehensive income (loss) attributable to the Parent Company	56,686	167,458	1,576
Comprehensive income (loss) attributable to non-controlling interests	3	9	0

Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2017													Millions of Yen	
	Funds, reserve and surplus				Accumulated other comprehensive income (loss)								Total net assets	
	Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests		
Beginning balance	200,000	439,000	2	339,926	978,929	723,567	—	(64,505)	(11,877)	14,111	661,295	165	1,640,390	
Changes in the fiscal year														
Additions to policyholders' dividend reserves (Note 9)				(51,548)	(51,548)								(51,548)	
Additions to reserve for redemption of foundation funds		30,000		(30,000)	—								—	
Payment of interest on foundation funds				(2,445)	(2,445)								(2,445)	
Net surplus attributable to the Parent Company				56,068	56,068								56,068	
Redemption of foundation funds	(30,000)				(30,000)								(30,000)	
Reversal of land revaluation differences				(5,045)	(5,045)								(5,045)	
Net changes, excluding funds, reserve and surplus						329	1,703	5,045	(18,004)	16,589	5,663	(98)	5,564	
Net changes in the fiscal year	(30,000)	30,000	—	(32,971)	(32,971)	329	1,703	5,045	(18,004)	16,589	5,663	(98)	(27,406)	
Ending balance	170,000	469,000	2	306,955	945,957	723,897	1,703	(59,460)	(29,882)	30,700	666,958	66	1,612,983	

Year ended March 31, 2018													Millions of Yen	
	Funds, reserve and surplus				Accumulated other comprehensive income (loss)								Total net assets	
	Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests		
Beginning balance	170,000	469,000	2	306,955	945,957	723,897	1,703	(59,460)	(29,882)	30,700	666,958	66	1,612,983	
Changes in the fiscal year														
Additions to policyholders' dividend reserves (Note 9)				(51,735)	(51,735)								(51,735)	
Additions to reserve for redemption of foundation funds		70,000		(70,000)	—								—	
Payment of interest on foundation funds				(1,918)	(1,918)								(1,918)	
Net surplus attributable to the Parent Company				69,835	69,835								69,835	
Redemption of foundation funds	(70,000)				(70,000)								(70,000)	
Reversal of land revaluation differences				4,252	4,252								4,252	
Net changes in surplus based on U.S. GAAP used for U.S. subsidiaries				(9,286)	(9,286)								(9,286)	
Net changes, excluding funds, reserve and surplus						117,423	(4,260)	(4,250)	(14,971)	8,715	102,657	32	102,690	
Net changes in the fiscal year	(70,000)	70,000	—	(58,853)	(58,853)	117,423	(4,260)	(4,250)	(14,971)	8,715	102,657	32	43,837	
Ending balance	100,000	539,000	2	248,102	887,104	841,320	(2,556)	(63,710)	(44,853)	39,415	769,616	99	1,656,820	

Year ended March 31, 2018

Millions of U.S. Dollars

	Funds, reserve and surplus				Accumulated other comprehensive income (loss)								
	Foundation funds (Note 12)	Reserve for redemption of foundation funds (Note 12)	Reserve for revaluation	Surplus	Total funds, reserve and surplus	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Beginning balance	1,600	4,414	0	2,889	8,903	6,813	16	(559)	(281)	288	6,277	0	15,182
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 9)				(486)	(486)								(486)
Additions to reserve for redemption of foundation funds		658		(658)	—								—
Payment of interest on foundation funds				(18)	(18)								(18)
Net surplus attributable to the Parent Company				657	657								657
Redemption of foundation funds	(658)				(658)								(658)
Reversal of land revaluation differences				40	40								40
Net changes in surplus based on U.S. GAAP used for U.S. subsidiaries				(87)	(87)								(87)
Net changes, excluding funds, reserve and surplus						1,105	(40)	(40)	(140)	82	966	0	966
Net changes in the fiscal year	(658)	658	—	(553)	(553)	1,105	(40)	(40)	(140)	82	966	0	412
Ending balance	941	5,073	0	2,335	8,350	7,919	(24)	(599)	(422)	371	7,244	0	15,595

Consolidated Statements of Cash Flows

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
I Cash flows from operating activities			
Surplus before income taxes	¥ 48,970	¥ 55,498	\$ 522
Depreciation of real estate for investments	9,170	8,789	82
Depreciation	29,444	31,783	299
Impairment losses	341	6,397	60
Amortization of goodwill	3,126	3,559	33
Increase (Decrease) in reserve for outstanding claims	(9,617)	(23,313)	(219)
Increase (Decrease) in policy reserves	1,577,373	821,076	7,728
Provision for interest on policyholders' dividend reserves	121	39	0
Increase (Decrease) in allowance for possible loan losses	(306)	(171)	(1)
Increase (Decrease) in net defined benefit liabilities	(2,219)	(13,102)	(123)
Increase (Decrease) in reserve for price fluctuation	150,218	154,620	1,455
Interest, dividends, and other income	(698,842)	(752,225)	(7,080)
Losses (Gains) on securities	(66,713)	(75,458)	(710)
Interest expenses	10,657	21,793	205
Foreign exchange losses (gains)	(8,887)	1,755	16
Losses (Gains) on tangible fixed assets	(5,244)	(127)	(1)
Investment losses (gains) under the equity method	(690)	(644)	(6)
Decrease (Increase) in due from agents	(8)	(28)	(0)
Decrease (Increase) in reinsurance receivables	490	(1,867)	(17)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	3,163	(18,129)	(170)
Increase (Decrease) in reinsurance payables	1,838	2,111	19
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	21,159	2,300	21
Others, net	68,640	53,779	506
Subtotal	1,132,186	278,438	2,620
Interest, dividends, and other income received	784,086	819,120	7,710
Interest paid	(11,270)	(19,740)	(185)
Policyholders' dividends paid	(64,947)	(62,177)	(585)
Others, net	(735)	(745)	(7)
Income taxes paid	(66,030)	(45,308)	(426)
Net cash provided by operating activities	¥ 1,773,290	¥ 969,586	\$ 9,126

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
II Cash flows from investing activities			
Net decrease (increase) in deposits	¥ (237,082)	¥ (412,891)	\$ (3,886)
Purchase of monetary claims bought	(183,092)	(224,078)	(2,109)
Proceeds from sales and redemption of monetary claims bought	149,787	172,640	1,625
Purchase of securities	(5,581,632)	(5,852,447)	(55,087)
Proceeds from sales and redemption of securities	4,290,915	4,650,460	43,773
Loans made	(1,253,566)	(2,157,988)	(20,312)
Proceeds from collection of loans	388,211	2,321,164	21,848
Others, net	692,436	556,087	5,234
Total investment activities (IIa)	(1,734,022)	(947,052)	(8,914)
[I+IIa]	[39,268]	[22,534]	[212]
Purchase of tangible fixed assets	(14,053)	(17,321)	(163)
Proceeds from sales of tangible fixed assets	39,879	3,852	36
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,437)	(32)
Others, net	(13,538)	(18,283)	(172)
Net cash used in investing activities	(1,721,735)	(982,241)	(9,245)
III Cash flows from financing activities			
Proceeds from issuance of debt	34,947	23	0
Proceeds from issuance of corporate bonds	205,000	145,444	1,369
Redemption of corporate bonds	(34,947)	—	—
Redemption of foundation funds	(30,000)	(70,000)	(658)
Payment of interest on foundation funds	(2,445)	(1,918)	(18)
Others, net	(4,626)	(3,097)	(29)
Net cash provided by financing activities	167,927	70,451	663
IV Effect of foreign exchange rate changes on cash and cash equivalents	(1,222)	(1,529)	(14)
V Net increase (decrease) in cash and cash equivalents	218,260	56,266	529
VI Cash and cash equivalents at the beginning of the year	86,331	304,592	2,867
VII Cash and cash equivalents at the end of the year (Note 3)	¥ 304,592	¥ 360,858	\$ 3,396

Note 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 Insurance Business Act and its related accounting regulations in Japan, and in conformity with the accounting principles generally accepted in Japan ("Japanese GAAP"), 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 Japanese GAAP but is presented herein as additional information.

Japanese yen amounts are rounded down to million yen amounts. As a result, the totals do not add up. The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate as of March 31, 2018, which was ¥106.24 to U.S. \$1. The convenience translation should not be construed as representations that Japanese yen amounts were, have been, or may in the future be, converted into U.S. dollars at this or any other exchange rate.

Note 2

Summary of Significant Accounting Policies

1) Principles of consolidation

a) Consolidated subsidiaries

The numbers of consolidated subsidiaries were 21 and 22 as of March 31, 2017 and 2018, respectively.

The major subsidiaries as of March 31, 2018 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)
- INSURANCE DESIGN (Japan)
- Symetra Financial Corporation (U.S.A.)

INSURANCE DESIGN was included in the scope of consolidation as a result of the share acquisition from the fiscal year ended March 31, 2018.

b) Affiliates

The numbers of affiliates under the equity method were 8 and 10 as of March 31, 2017 and 2018, respectively.

The major affiliates as of March 31, 2018 are listed as follows:

- Sumitomo Mitsui Asset Management Company, Limited (Japan)
- Nippon Building Fund Management Ltd. (Japan)
- Japan Pension Navigator Co., Ltd. (Japan)
- Mycommunication Co., Ltd. (Japan)
- Agent Co., Ltd. (Japan)
- Baoviet Holdings (Vietnam)
- PT BNI Life Insurance (Indonesia)

Mycommunication Co., Ltd. and Agent Co., Ltd. were included in the scope of equity-method affiliates as a result of share acquisition from the fiscal year ended March 31, 2018.

Japan Pension Service Co., Ltd., is excluded from affiliates under the equity method because its effect is immaterial, individually and in aggregate, on the consolidated net income and consolidated surplus.

c) Fiscal year-end of consolidated subsidiaries

For the fiscal year ended March 31, 2017, the fiscal year-end of CSS Co., Ltd. was March 25. The Company previously used the subsidiary's financial statements as of its fiscal year-end with adjustments for material transactions between its fiscal year-end and the Company's fiscal year-end. With the Company's adoption of the consolidation tax filings from its fiscal year ended March 31, 2018, the Company has changed its method for consolidation and uses the subsidiary's provisional financial statements as of the Company's fiscal year-end. For the fiscal year ended March 31, 2017, the Company's consolidated statement of income includes the subsidiary's income for the period of 12 months and 6 days from March 26, 2016 through March 31, 2017. The fiscal year-end of foreign subsidiaries is December 31. The consolidated financial statements include the accounts of the subsidiaries as of their fiscal year-end, with appropriate adjustments made for material transactions between their fiscal year-end and the consolidated balance sheet date.

d) Valuation of assets and liabilities of consolidated subsidiaries and affiliates

The Company applies the mark-to-market method.

e) Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is 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.

f) 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, deposits (except deposits bearing interest of the Company and domestic consolidated subsidiaries, and restricted cash of foreign consolidated subsidiaries), and short-term investment securities of foreign consolidated subsidiaries.

3) Securities, derivative instruments, and hedge accounting

a) Securities

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

Trading securities are stated at the market value on the balance sheet date. The cost of the 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 (defined in 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 the 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 the readily determinable market values classified as available-for-sale securities are stated at the market value which is determined as the average of the market value during the last month of the fiscal year. The other available-for-sale securities with the readily determinable market values are stated mainly at the market value on the balance sheet date. Available-for-sale securities for which determination of the 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.

b) Derivative instruments

Derivatives are stated at the fair value.

c) Hedge accounting

Under Japanese GAAP, the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed.

Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.

In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rates stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized as an asset or liability measured at the fair value either on 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 the fair value, but the net amounts paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

The Company mainly adopts the fair value hedge method and the allocation method to hedge foreign currency risks of assets and liabilities 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 the fair values or cash flows of the hedged items and the hedging instruments.

4) Policy-reserve-matching bonds

The Company classifies 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 insurances, individual annuities and group annuities 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

The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rate 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.

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.

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 the revaluation is directly included in net assets and presented as land revaluation differences, net of deferred tax liabilities for land revaluation in the consolidated balance sheets.

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

Pursuant to the Article, 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.

7) Software

Capitalized software for internal use owned by the Company (included in intangible fixed assets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

8) 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 ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("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 disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("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 through disposal of collaterals and execution of guarantees. For the 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 assessment results.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal years ended March 31, 2017 and 2018 amounted to ¥38 million and ¥36 million (U.S. \$0 million), respectively.

An allowance for possible loan losses of the consolidated subsidiaries is provided mainly 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.

9) Net defined benefit liabilities

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

10) Reserve for price fluctuation

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

11) Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the fiscal year, 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.

12) 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 methods:

- a) For contracts which are subject to the standard policy reserve requirements, the premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).
- b) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

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

For individual annuity contracts which commenced on or after April 1, 2006, the Company has regarded their commencement dates of annuity payments as the contract dates, and applied the calculation basis stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996). (For contracts which commenced by March 31, 2007, assumed mortality rates on the 2007 life insurance standard life table have been used.)

Policy reserves of the consolidated foreign subsidiaries are provided pursuant to accounting principles generally accepted in the United States of America.

13) Revenue recognition

The Company recognizes insurance premiums when premiums are received, and does not recognize insurance premiums due but not collected as revenues. The Company recognizes unearned insurance premiums as policy reserves.

14) Policy acquisition costs

The Company recognizes policy acquisition costs when incurred.

15) Additional Information

The Company and certain subsidiaries made an application for the consolidation tax filings to the tax authority in December 2016. The application was approved, and the consolidation tax filings were adopted from the fiscal year ended March 31, 2018.

Preparing for the adoption, the financial statements for the fiscal year ended March 31, 2017 were presented in accordance with "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)" (Practical Issues Task Force No. 5, revised on January 16, 2015) and "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)" (Practical Issues Task Force No. 7, revised on January 16, 2015).

Note 3

Reconciliations of Cash and Cash Equivalents

Reconciliations of cash and deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. dollars
	2017	2018	2018
Cash and deposits	¥979,462	¥1,448,620	\$13,635
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(673,729)	(1,086,861)	(10,230)
Restricted cash of foreign consolidated subsidiaries	(1,140)	(900)	(8)
Short-term investment securities of foreign consolidated subsidiaries	0	0	0
Cash and cash equivalents	¥304,592	¥ 360,858	\$ 3,396

Note 4

Financial Instruments

1) Qualitative information on financial instruments

The Company applies Asset and Liability Management (ALM) 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.

Major 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 to bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge interest fluctuation risks of floating rate assets. Gains and losses on certain foreign currency forward contracts to hedge foreign currency risks mainly of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in the 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 foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swap transactions meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to accounting principles.

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 rules. Moreover, the risk management department maintains effective risk management structures by independently 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 situations.

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 order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial conditions 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 with 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 shows the carrying amounts in the consolidated balance sheets, the fair values and their differences of financial instruments as of March 31, 2017 and 2018.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 979,462	¥ 979,462	¥ —	¥ 1,448,620	¥ 1,448,620	¥ —	\$ 13,635	\$ 13,635	\$ —
[Available-for-sale securities]*1	[609,980]	[609,980]	—	[441,084]	[441,084]	—	[4,151]	[4,151]	—
Call loans	203,345	203,345	—	187,361	187,361	—	1,763	1,763	—
Monetary claims bought	230,518	231,958	1,439	283,252	284,696	1,444	2,666	2,679	13
[Available-for-sale securities]*1	[196,810]	[196,810]	—	[209,492]	[209,492]	—	[1,971]	[1,971]	—
Securities*2	27,435,828	29,783,254	2,347,425	28,705,307	31,006,612	2,301,305	270,193	291,854	21,661
Trading securities	1,230,072	1,230,072	—	1,033,689	1,033,689	—	9,729	9,729	—
Held-to-maturity debt securities	2,004,475	2,376,784	372,309	1,954,345	2,279,893	325,548	18,395	21,459	3,064
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623	11,206,795	13,156,647	1,949,852	105,485	123,838	18,353
Investments in subsidiaries and affiliated companies	28,261	35,754	7,493	28,062	53,967	25,904	264	507	243
Available-for-sale securities	13,084,346	13,084,346	—	14,482,414	14,482,414	—	136,317	136,317	—
Loans	3,642,493			3,445,029			32,426		
Allowance for possible loan losses*3	(990)			(832)			(7)		
	3,641,503	3,671,423	29,920	3,444,196	3,478,602	34,405	32,419	32,742	323
Corporate bonds	401,948	413,095	11,147	545,868	559,840	13,972	5,138	5,269	131
Payables under securities borrowing transactions	702,759	702,759	—	1,116,092	1,116,092	—	10,505	10,505	—
Derivative transactions*4	(244,328)	(244,328)	—	228,636	228,636	—	2,152	2,152	—
Hedge accounting not applied	(3,420)	(3,420)	—	39,950	39,950	—	376	376	—
Hedge accounting applied	(240,908)	(240,908)	—	188,686	188,686	—	1,776	1,776	—

*1 Available-for-sale securities are shown in [].

*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 ¥442,711 million and ¥384,318 million (U.S. \$3,617 million) as of March 31, 2017 and 2018, respectively.

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

*4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

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 Standard for Financial Instruments” (ASBJ Statement No. 10), the fair value is measured based on the closing market value on the balance sheet date.

2) Monetary claims bought

The fair value is measured mainly based on the closing market value on the balance sheet date.

3) Securities

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

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

4) Loans

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book 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 loans.

As for loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Corporate bonds

The fair value is measured mainly based on the closing market value on the balance sheet date.

2) Payables under securities borrowing transactions

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

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 Standard for Financial Instruments” (ASBJ Statement No. 10)

The following tables show the carrying amounts in the consolidated balance sheets, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2017 and 2018.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Type									
Fair value exceeds the balance sheet amount									
Bonds	¥ 496,961	¥ 539,673	¥ 42,712	¥ 458,764	¥ 499,664	¥ 40,900	\$ 4,318	\$ 4,703	\$ 384
Foreign securities (bonds)	1,506,014	1,835,726	329,712	1,493,938	1,778,660	284,722	14,061	16,741	2,679
Fair value does not exceed the balance sheet amount									
Bonds	1,498	1,383	(115)	1,643	1,568	(74)	15	14	(0)
Foreign securities (bonds)	—	—	—	—	—	—	—	—	—
Total	2,004,475	2,376,784	372,309	1,954,345	2,279,893	325,548	18,395	21,459	3,064

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Type									
Fair value exceeds the balance sheet amount									
Bonds	¥10,370,228	¥12,390,054	¥2,019,825	¥10,397,017	¥12,388,306	¥1,991,289	\$ 97,863	\$ 116,606	\$ 18,743
Foreign securities (bonds)	93,773	97,379	3,606	87,797	91,618	3,820	826	862	35
Fair value does not exceed the balance sheet amount									
Bonds	593,160	537,900	(55,260)	537,536	497,343	(40,193)	5,059	4,681	(378)
Foreign securities (bonds)	31,511	30,962	(548)	184,442	179,379	(5,063)	1,736	1,688	(47)
Total	11,088,673	13,056,296	1,967,623	11,206,795	13,156,647	1,949,852	105,485	123,838	18,353

The following table shows 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, 2017 and 2018.

3) Available-for-sale securities

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
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	128,437	134,786	6,349	136,556	143,818	7,261	1,285	1,353	68
Bonds	1,220,923	1,310,173	89,250	1,226,219	1,315,182	88,963	11,541	12,379	837
Stocks	684,098	1,492,891	808,793	737,218	1,724,022	986,803	6,939	16,227	9,288
Foreign securities	4,614,584	4,865,250	250,666	5,519,537	5,765,216	245,678	51,953	54,265	2,312
Foreign bonds	4,515,556	4,755,954	240,397	5,338,247	5,564,082	225,835	50,247	52,372	2,125
Other foreign securities	99,027	109,295	10,268	181,290	201,133	19,843	1,706	1,893	186
Other securities	102,526	116,596	14,070	34,983	48,789	13,806	329	459	129
Balance sheet amount does not exceed acquisition costs or amortized costs									
Negotiable certificates of deposit	610,000	609,980	(19)	441,100	441,084	(15)	4,151	4,151	(0)
Monetary claims bought	62,499	62,024	(475)	65,766	65,674	(92)	619	618	(0)
Bonds	355,814	350,593	(5,220)	527,525	509,895	(17,629)	4,965	4,799	(165)
Stocks	100,310	91,997	(8,312)	101,508	88,848	(12,659)	955	836	(119)
Foreign securities	4,986,431	4,832,612	(153,818)	5,176,781	5,020,519	(156,261)	48,727	47,256	(1,470)
Foreign bonds	4,938,183	4,785,275	(152,908)	5,068,649	4,913,423	(155,226)	47,709	46,248	(1,461)
Other foreign securities	48,247	47,337	(909)	108,132	107,096	(1,035)	1,017	1,008	(9)
Other securities	24,895	24,229	(665)	10,000	9,940	(60)	94	93	(0)
Total	12,890,520	13,891,137	1,000,616	13,977,197	15,132,992	1,155,794	131,562	142,441	10,879

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

Scheduled redemptions of monetary claims and securities with maturities, corporate bonds and other liabilities

As of March 31, 2017

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	¥ 979,293	¥ —	¥ —	¥ —
Call loans	203,345	—	—	—
Monetary claims bought	39,760	1,242	452	183,196
Securities	735,718	3,123,626	6,387,528	13,359,791
Held-to-maturity debt securities	20,942	240,001	636,760	1,104,140
Policy-reserve-matching bonds	217,218	529,041	1,334,051	8,950,657
Available-for-sale securities	497,556	2,354,584	4,416,716	3,304,992
Loans	1,210,125	747,204	718,674	581,819
Corporate bonds	—	—	29,122	371,953
Payables under securities borrowing transactions	702,759	—	—	—

As of March 31, 2018

	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
Deposits	¥1,448,459	¥ —	¥ —	¥ —	\$13,633	\$ —	\$ —	\$ —
Call loans	187,361	—	—	—	1,763	—	—	—
Monetary claims bought	49,629	751	269	225,416	467	7	2	2,121
Securities	674,769	3,237,552	6,829,301	14,011,807	6,351	30,473	64,281	131,888
Held-to-maturity debt securities	66,028	196,809	639,313	1,049,882	621	1,852	6,017	9,882
Policy-reserve-matching bonds	136,707	517,935	1,697,358	8,781,093	1,286	4,875	15,976	82,653
Available-for-sale securities	472,034	2,522,807	4,492,630	4,180,831	4,443	23,746	42,287	39,352
Loans	1,037,849	671,541	701,391	672,980	9,768	6,320	6,601	6,334
Corporate bonds	—	—	28,250	516,874	—	—	265	4,865
Payables under securities borrowing transactions	1,116,092	—	—	—	10,505	—	—	—

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

Note.4: Fair values of derivative transactions

1) Interest-rate related

a) Hedge accounting not applied

As of March 31, 2017

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	¥ 14,731	¥14,731	¥(9)	¥ (9)
Receipts floating, payments fixed	—	—	—	—
Interest rate swaptions				
Bought				
Receipts floating, payments fixed	170,000	—		
	[635]		4	(630)
Total				(639)

As of March 31, 2018

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	47,808	47,808	660	660	450	450	6	6
Interest rate swaptions								
Bought								
Receipts floating, payments fixed	—	—	—	—	—	—	—	—
	[—]				[—]			
Total				660				6

*1 Option fees are shown in [].

*2 Net gains (losses) represent the fair values for interest rate swaps, and the differences between the option fees and the fair values for interest rate swaptions.

b) Hedge accounting applied

As of March 31, 2017

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 swaps					
Exceptional method	Receipts fixed, payments floating	Loans	¥33,828	¥17,520	¥ 388
Interest rate swaps					
Cash flow hedge	Receipts fixed, payments floating	Bonds	98,849	98,849	(1,638)
Total					(1,250)

As of March 31, 2018

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Interest rate swaps								
Exceptional method	Receipts fixed, payments floating	Loans	¥ 17,520	¥ 14,236	¥ 119	\$ 164	\$ 134	\$ 1
Interest rate swaps								
Cash flow hedge	Receipts fixed, payments floating	Bonds	124,395	118,858	(2,219)	1,170	1,118	(20)
Total					(2,099)			(19)

*1 The fair values of certain interest rate swaps under the exceptional method are included in the fair values of related loans since they are accounted for as integrated transactions.

2) Currency-related

a) Hedge accounting not applied

As of March 31, 2017

Type	Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥298,777	¥818	¥(15,800)	¥(15,800)
(Australian dollar)	187,661	—	(14,281)	(14,281)
(U.S. dollar)	66,485	818	(1,977)	(1,977)
(Euro)	40,743	—	443	443
Bought	535,150	—	(5,192)	(5,192)
(U.S. dollar)	532,305	—	(5,204)	(5,204)
(Euro)	1,738	—	4	4
(Australian dollar)	149	—	0	0
Currency options				
Bought				
Put	54,750	—		
	[397]		177	(219)
(U.S. dollar)	54,750	—		
	[397]		177	(219)
Total				(21,212)

As of March 31, 2018

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)
Foreign currency forward contracts								
Sold	¥333,609	¥—	¥13,762	¥13,762	\$3,140	\$—	\$129	\$129
(Australian dollar)	214,582	—	11,972	11,972	2,019	—	112	112
(U.S. dollar)	89,636	—	1,886	1,886	843	—	17	17
(Euro)	21,527	—	(55)	(55)	202	—	(0)	(0)
Bought	276,128	—	(3,911)	(3,911)	2,599	—	(36)	(36)
(U.S. dollar)	171,648	—	(3,618)	(3,618)	1,615	—	(34)	(34)
(Euro)	53,012	—	(325)	(325)	498	—	(3)	(3)
(Australian dollar)	51,245	—	32	32	482	—	0	0
Currency options								
Bought								
Put	—	—			—	—		
	[—]		—	—	[—]		—	—
(U.S. dollar)	—	—			—	—		
	[—]		—	—	[—]		—	—
Total				9,851				92

*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.

b) Hedge accounting applied

As of March 31, 2017

Hedge accounting model	Type	Main hedged items	Millions of Yen		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
	Foreign currency forward contracts				
Fair value hedge method	Sold	Foreign-currency-denominated assets	¥5,424,477	¥320,453	¥(255,228)
	(U.S. dollar)		3,227,455	233,066	(140,801)
	(Euro)		1,146,493	—	(6,205)
	(Australian dollar)		868,089	87,387	(101,535)
	Foreign currency forward contracts				
Allocation method	Sold	Foreign-currency-denominated assets	58,502	55,505	(20,963)
	(Australian dollar)		55,505	55,505	(20,033)
	(U.S. dollar)		2,996	—	(929)
Allocation method	Currency swaps	Foreign-currency-denominated assets	127,077	127,077	6,470
	(U.S. dollar)		127,077	127,077	6,470
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	99,480	99,480	15,816
	(U.S. dollar)		99,480	99,480	15,816
Cash flow hedge	Currency swaps	Foreign-currency-denominated assets	108,455	108,455	15,958
	(Great Britain pound)		67,558	67,558	14,793
	(U.S. dollar)		24,326	24,326	(614)
	(Euro)		15,233	15,233	1,688
Total					(237,945)

As of March 31, 2018

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
	Foreign currency forward contracts							
Fair value hedge method	Sold	Foreign-currency-denominated assets	¥6,803,557	¥187,916	¥180,238	\$64,039	\$1,768	\$1,696
	(U.S. dollar)		3,704,596	127,932	141,139	34,870	1,204	1,328
	(Euro)		1,821,424	—	9,954	17,144	—	93
	(Australian dollar)		981,860	59,984	23,450	9,241	564	220
	Foreign currency forward contracts							
Allocation method	Sold	Foreign-currency-denominated assets	53,778	—	(18,082)	506	—	(170)
	(Australian dollar)		53,778	—	(18,082)	506	—	(170)
	(U.S. dollar)		—	—	—	—	—	—
Allocation method	Currency swaps	Foreign-currency-denominated assets	141,197	141,197	12,310	1,329	1,329	115
	(U.S. dollar)		141,197	141,197	12,310	1,329	1,329	115
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	244,924	244,924	(5,221)	2,305	2,305	(49)
	(U.S. dollar)		244,924	244,924	(5,221)	2,305	2,305	(49)
Cash flow hedge	Currency swaps	Foreign-currency-denominated assets	104,323	99,879	8,516	981	940	80
	(Great Britain pound)		61,913	58,796	7,928	582	553	74
	(U.S. dollar)		24,326	24,326	808	228	228	7
	(Euro)		16,786	15,460	(238)	158	145	(2)
Total					177,762			1,673

*1 The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related foreign-currency-denominated assets and liabilities since they are accounted for as integrated transactions.

3) Stock-related

a) Hedge accounting not applied

As of March 31, 2017

		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Stock index futures					
Exchange-traded transactions	Sold	¥101,191	¥ 1,176	¥ 1,769	¥ 1,769
	Bought	25,039	1,086	(346)	(346)
Stock index options					
Over-the-counter transactions	Sold	4,898	—		
		[168]		201	(32)
	Put	278	—		
		[8]		7	0
	Bought	591,561	2,005		
		[14,232]		18,833	4,600
Put	170	—			
	[4]			3	(0)
	Total return swaps	44,715	44,715	(2,652)	(2,652)
Total					3,338

As of March 31, 2018

		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)
Stock index futures									
Exchange-traded transactions	Sold	¥ 9,758	¥ —	¥ (231)	¥ (231)	\$ 91	\$—	\$ (2)	\$ (2)
	Bought	13,284	2,381	249	249	125	22	2	2
Stock index options									
Over-the-counter transactions	Sold	4,793	—			45	—		
		[109]		172	(62)	[1]		1	(0)
	Put	149	—			1	—		
		[3]		1	2	[0]		0	0
	Bought	751,943	4,661			7,077	43		
		[18,100]		29,594	11,493	[170]		278	108
Put	—	—			—	—			
	[—]				[—]				
	Total return swaps	—	—	—	—	—	—	—	—
Total					11,450	107			

*1 Option fees are shown in [].

*2 Net gains (losses) represent the fair values for futures trading, the fair values for total return swaps, and the difference between the option fees and the fair values for option transactions.

b) Hedge accounting applied

No ending balances as of March 31, 2017 and 2018.

Note **5**

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥403,242 million and ¥390,398 million (U.S. \$3,674 million), and their fair values were ¥444,111 million and ¥465,366 million (U.S. \$4,380 million) as of March 31, 2017 and 2018, 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 ¥1,360 million and ¥1,383 million (U.S. \$13 million) as of March 31, 2017 and 2018, respectively.

Note **6**

Securities Lending

Securities loaned under security lending agreements amounted to ¥1,676,673 million and ¥2,962,410 million (U.S. \$27,884 million) as of March 31, 2017 and 2018, respectively.

Note **7**

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥416,891 million and ¥421,023 million (U.S. \$3,962 million) as of March 31, 2017 and 2018, respectively.

Note **8**

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥1,243,010 million and ¥986,044 million (U.S. \$9,281 million) as of March 31, 2017 and 2018, respectively. The total amounts of separate account liabilities were the same as these.

Note **9**

Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
At the beginning of the fiscal year	¥259,228	¥245,951	\$2,315
Transfer from surplus in the previous fiscal year	51,548	51,735	486
Dividend payments to policyholders during the fiscal year	(64,947)	(62,177)	(585)
Interest accrued during the fiscal year	121	39	0
At the end of the fiscal year	¥245,951	¥235,548	\$2,217

Note 10

Net Defined Benefit Liabilities

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Method of attributing benefits to period of service	Benefit formula basis	Benefit formula basis
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years	8 years
Amortization period for past service costs	—	3 years

The following provide details of the retirement benefit plans.

1) Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance systems, which distribute a lump sum payment on retirement, as defined benefit plans, and a defined contribution pension plan as defined contribution plans.

The Company established retirement benefit trusts for certain retirement allowance systems.

As for accrued retirement benefits of certain consolidated subsidiaries, the simplified method is applied.

Certain foreign consolidated subsidiaries have defined contribution plans.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
At the beginning of the fiscal year	¥304,042	¥302,904	\$2,851
Service costs	13,247	13,144	123
Interest costs on projected benefit obligations	4,388	4,355	40
Actuarial losses (gains)	2,617	2,615	24
Benefits paid	(21,490)	(18,673)	(175)
Past service costs	—	(11,385)	(107)
Others	99	106	1
At the end of the fiscal year	¥302,904	¥293,067	\$2,758

b) Changes in the plan assets for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
At the beginning of the fiscal year	¥273,955	¥298,076	\$2,805
Expected return on plan assets	2,456	4,916	46
Actuarial gains (losses)	20,947	11,084	104
Contribution by employer	10,490	6,671	62
Benefits paid	(9,783)	(7,312)	(68)
Others	9	16	0
At the end of the fiscal year	¥298,076	¥313,452	\$2,950

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheets as of March 31, 2017 and 2018 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Present value of funded obligations	¥301,386	¥291,509	\$2,743
Plan assets at fair value	(298,076)	(313,452)	(2,950)
Net present value of funded obligations	3,309	(21,942)	(206)
Present value of unfunded obligations	1,518	1,557	14
Net value on the balance sheet	4,828	(20,385)	(191)
Net defined benefit liabilities	22,565	11,356	106
Net defined benefit assets	(17,736)	(31,742)	(298)
Net value on the balance sheet	¥ 4,828	¥(20,385)	\$(191)

d) The amounts recognized in retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Service costs	¥13,247	¥13,144	\$123
Interest costs on projected benefit obligations	4,388	4,355	40
Expected return on plan assets	(2,456)	(4,916)	(46)
Amortization of net actuarial losses (gains)	4,708	(7,426)	(69)
Amortization of net past service costs	—	(316)	(2)
Others	108	98	0
Retirement benefit expenses	¥19,997	¥4,939	\$46

e) Major components of other comprehensive income and accumulated other comprehensive income
Major components of other comprehensive income (before income tax effect adjustments) for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Actuarial gains	¥23,039	¥1,042	\$9
Past service costs	—	11,069	104
Total	¥23,039	¥12,111	\$114

Major components of accumulated other comprehensive income (before income tax effect adjustments) as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Unrecognized actuarial gains	¥42,597	¥43,639	\$410
Unrecognized past service costs	—	11,069	104
Total	¥42,597	¥54,709	\$514

f) The plan assets

The plan assets as of March 31, 2017 and 2018 were comprised as follows:

	% of total fair value of plan assets	
	2017	2018
Equity securities	42%	42%
General accounts of life insurance companies	42%	41%
Investment trusts	6%	6%
Debt securities	5%	6%
Others	5%	5%
Total	100%	100%

44% and 46% of the plan assets were the retirement benefit trusts as of March 31, 2017 and 2018, respectively.

g) The expected long-term rate of return on the plan assets

The expected long-term rate of return on the plan assets is calculated by aggregating the weighted rates of return derived from each asset category. The expected long-term rates of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

h) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	1.473%	1.473%
Expected long-term rates of return on the plan assets		
Defined benefit pension plans	1.5%	3.0%
Retirement benefit trusts	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥1,742 million and ¥1,761 million (U.S. \$16 million) for the fiscal years ended March 31, 2017 and 2018, respectively.

Note 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.

Note 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 situations, 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 ¥30,000 million and ¥70,000 million (U.S. \$658 million) of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2017 and 2018, respectively.

Note 13

Pledged Assets

Assets pledged as collateral were securities in the amounts of ¥1,148,005 million and ¥1,473,833 million (U.S. \$13,872 million) and cash and deposits in the amounts of nil and ¥30 million as of March 31, 2017 and 2018, respectively.

Note 14

Investments in Affiliates

Total amounts of investments in affiliates were ¥71,505 million and ¥74,058 million (U.S. \$697 million) as of March 31, 2017 and 2018, respectively.

Note 15**Loans**

The aggregate amounts of risk-monitored loans, which were comprised of loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer, and restructured loans, were ¥960 million and ¥1,379 million (U.S. \$12 million) as of March 31, 2017 and 2018, respectively.

The amounts of loans to bankrupt borrowers were nil and nil, and loans in arrears were ¥877 million and ¥909 million (U.S. \$8 million) as of March 31, 2017 and 2018, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets were ¥24 million and ¥22 million (U.S. \$0 million) for loans in arrears as of March 31, 2017 and 2018, 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 or 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Loans in arrears represent non-accrual loans excluding 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 non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in self-assessment of asset quality.

The amounts of loans in arrears for three months or longer were ¥0 million and nil as of March 31, 2017 and 2018, respectively.

Loans in arrears for three months or longer represent 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 ¥82 million and ¥469 million (U.S. \$4 million) as of March 31, 2017 and 2018, respectively.

Restructured loans represent 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.

Note 16**Loan Commitments**

The amounts of loan commitments outstanding were ¥17,836 million and ¥16,157 million (U.S. \$152 million) as of March 31, 2017 and 2018, respectively.

Note 17**Contributions to the Life Insurance Policyholders Protection Corporation**

The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥40,989 million and ¥39,685 million (U.S. \$373 million) as of March 31, 2017 and 2018, respectively, pursuant to Article 259 of the Insurance Business Act.

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

Impairment of Fixed Assets

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

Accumulated impairment losses on fixed assets are directly reduced from amounts of their respective assets.

1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for its insurance business as one asset group for the impairment test.

The Company treats real estates for investment and idle assets as an independent asset group for the impairment test.

2) Description of impairment losses

For the fiscal years ended March 31, 2017 and 2018, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

3) Breakdown of impairment losses for the fiscal years ended March 31, 2017 and 2018

Asset Group	Asset Category	Millions of Yen		Millions of U.S. Dollars
		2017	2018	2018
Real estates for investment	Land and buildings	¥226	¥5,711	\$53
Idle assets	Land and buildings	115	658	6
Total		¥341	¥6,369	\$59

4) The recoverable amounts

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

Note **19**

Deferred Taxes

1) Deferred tax assets/liabilities as of March 31, 2017 and 2018 were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Deferred tax assets	¥554,051	¥547,415	\$5,152
Valuation allowance for deferred tax assets	(22,984)	(15,274)	(143)
Subtotal	531,066	532,140	5,008
Deferred tax liabilities	(441,045)	(416,691)	(3,922)
Net deferred tax assets	90,020	115,449	1,086

Major components of deferred tax assets/liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Deferred tax assets			
Policy reserves and other reserves	¥280,816	¥246,706	\$2,322
Reserve for price fluctuation	140,479	183,711	1,729
Net defined benefit liabilities	46,038	42,185	397
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(282,775)	(317,450)	(2,988)
Other intangible fixed assets	(70,130)	(37,277)	(350)

2) The actual effective income tax rates were (14.5)% and (25.8)% for the fiscal years ended March 31, 2017 and 2018, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2017	2018
Policyholders' dividend reserves	(30.3)%	(28.0)%
Investment tax credits of foreign consolidated subsidiaries	(12.3)%	—
Enactment of the Tax Cuts and Jobs Act	—	(26.9)%

On December 22, 2017, the Tax Cuts and Jobs Act was enacted in the U.S.A., reducing the corporate tax rate applicable to the Company's consolidated subsidiaries in the U.S.A. from 35% to 21%, effective January 1, 2018. Following this change, as of March 31, 2018, deferred tax liabilities and income taxes – deferred decreased by ¥14,931 million (U.S. \$140 million), respectively.

Note **20**

Subordinated Bonds

The amounts of corporate bonds in liabilities included ¥371,991 million and ¥516,874 million (U.S. \$4,865 million) of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2017 and 2018, respectively.

Note **21**

Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2017 and 2018 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
	2017	2018	2018
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥(15,674)	¥141,283	\$1,329
Reclassification adjustments	18,263	9,148	86
Before income tax effect adjustments	2,589	150,432	1,415
Income tax effects	(2,309)	(44,450)	(418)
Net unrealized gains (losses) on available-for-sale securities	279	105,982	997
Deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥4,389	¥(7,162)	\$(67)
Reclassification adjustments	(1,715)	1,321	12
Before income tax effect adjustments	2,674	(5,840)	(54)
Income tax effects	(971)	2,069	19
Deferred gains (losses) on derivatives under hedge accounting	1,703	(3,771)	(35)
Land revaluation differences:			
Amount arising during the fiscal year	¥—	¥—	\$—
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	(0)	2	0
Land revaluation differences	(0)	2	0
Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥(16,207)	¥(13,049)	\$(122)
Reclassification adjustments	—	—	—
Before income tax effect adjustments	(16,207)	(13,049)	(122)
Income tax effects	—	—	—
Foreign currency translation adjustments	(16,207)	(13,049)	(122)
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	¥18,330	¥19,538	\$183
Reclassification adjustments	4,708	(7,426)	(69)
Before income tax effect adjustments	23,039	12,111	114
Income tax effects	(6,449)	(3,396)	(31)
Remeasurements of defined benefit plans	16,589	8,715	82
Share of other comprehensive income of associates under the equity method:			
Amount arising during the year	¥(1,603)	¥(210)	\$(1)
Reclassification adjustments	(142)	(45)	(0)
Share of other comprehensive income of associates under the equity method	(1,746)	(255)	(2)
Total other comprehensive income (loss)	¥ 617	¥97,623	\$918

Note **22**

Securities Borrowed under Borrowing Agreements

Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair value of the securities which were not sold or pledged as collateral were ¥80,949 million and ¥157,703 million (U.S. \$1,484 million), and none of the securities was pledged as collateral as of March 31, 2017 and 2018, respectively.

Independent Auditor's Report



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, 2017 and 2018, 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 misstatement, 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 judgment, 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, 2017 and 2018, and their financial performance and cash flows for the years then ended in accordance 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, 2018 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

June 29, 2018
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.

Non-Consolidated Balance Sheets

Sumitomo Life Insurance Company

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
ASSETS:			
Cash and deposits (Note 3)	¥ 878,754	¥ 1,301,620	\$ 12,251
Cash	184	173	1
Deposits	878,570	1,301,447	12,250
Call loans (Note 3)	203,345	187,361	1,763
Monetary claims bought (Note 3)	230,518	283,252	2,666
Securities (Notes 3, 5, 14 and 15)	24,732,137	25,819,731	243,032
National government bonds	10,320,018	10,160,111	95,633
Local government bonds	141,330	147,445	1,387
Corporate bonds	3,020,333	3,134,969	29,508
Domestic stocks	1,911,643	2,091,344	19,685
Foreign securities	9,070,061	10,118,472	95,241
Other securities	268,750	167,387	1,575
Loans (Notes 3, 16 and 17)	2,972,689	2,781,305	26,179
Policy loans	303,290	294,742	2,774
Industrial and consumer loans	2,669,398	2,486,563	23,405
Tangible fixed assets (Notes 4, 6 and 22)	583,856	576,228	5,423
Land	370,032	359,040	3,379
Buildings	207,876	200,987	1,891
Lease assets	1,146	344	3
Construction in progress	902	11,613	109
Other tangible fixed assets	3,897	4,242	39
Intangible fixed assets	28,160	36,885	347
Software	15,983	16,845	158
Other intangible fixed assets	12,176	20,039	188
Due from agents	0	1	0
Reinsurance receivables	235	163	1
Other assets	273,807	396,590	3,732
Accounts receivable	51,734	21,602	203
Prepaid expenses	6,855	3,497	32
Accrued income	116,360	125,990	1,185
Money on deposit	4,001	3,910	36
Deposits for futures transactions	337	186	1
Derivative financial instruments (Note 3)	37,539	228,563	2,151
Cash collateral paid for financial instruments	48,810	—	—
Suspense	4,620	9,563	90
Other assets	3,548	3,276	30
Deferred tax assets (Note 23)	124,609	154,714	1,456
Allowance for possible loan losses	(1,132)	(921)	(8)
Total assets	¥30,026,983	¥31,536,934	\$296,846

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
LIABILITIES:			
Policy reserves and other reserves	¥25,604,632	¥26,147,799	\$246,120
Reserve for outstanding claims (Note 18)	140,787	111,680	1,051
Policy reserves (Note 18)	25,217,893	25,800,570	242,851
Policyholders' dividend reserves (Note 9)	245,951	235,548	2,217
Reinsurance payables	145	158	1
Corporate bonds (Notes 3, 25)	354,480	499,924	4,705
Other liabilities	1,847,064	2,523,022	23,748
Payables under repurchase agreements (Note 3)	556,909	860,119	8,096
Payables under securities borrowing transactions (Note 3)	702,759	1,116,092	10,505
Income taxes payable	12,114	28,742	270
Accounts payable	61,514	130,976	1,232
Accrued expenses	42,759	40,102	377
Deferred income	1,504	1,351	12
Deposits received	62,260	65,141	613
Guarantee deposits received	29,971	29,777	280
Derivative financial instruments (Note 3)	312,868	37,938	357
Cash collateral received for financial instruments	3,175	147,588	1,389
Lease obligations	1,111	329	3
Asset retirement obligations	1,734	1,756	16
Suspense receipts	6,082	8,126	76
Rest of other liabilities	52,298	54,982	517
Accrued retirement benefits (Note 11)	45,448	32,082	301
Reserve for price fluctuation	502,347	656,947	6,183
Deferred tax liabilities for land revaluation	16,061	13,257	124
Total liabilities	28,370,180	29,873,192	281,185
NET ASSETS:			
Foundation funds (Note 13)	170,000	100,000	941
Reserve for redemption of foundation funds (Note 13)	469,000	539,000	5,073
Reserve for revaluation	2	2	0
Surplus	373,478	319,499	3,007
Reserve for future losses	5,204	5,404	50
Other surplus	368,274	314,095	2,956
Reserve for fund redemption (Note 13)	119,600	77,000	724
Fund for price fluctuation allowance	165,000	165,000	1,553
Reserve for assisting social responsibility	1,496	1,450	13
Other reserves	223	223	2
Unappropriated surplus	81,954	70,421	662
Total funds, reserve and surplus	1,012,481	958,502	9,022
Net unrealized gains on available-for-sale securities	704,140	768,377	7,232
Deferred gains (losses) on derivatives under hedge accounting	(358)	573	5
Land revaluation differences	(59,460)	(63,710)	(599)
Total unrealized gains, revaluation reserve and adjustments	644,321	705,239	6,638
Total net assets	1,656,802	1,663,742	15,660
Total liabilities and net assets	¥30,026,983	¥31,536,934	\$296,846

Non-Consolidated Statements of Income

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Ordinary income	¥4,153,242	¥3,400,872	\$32,011
Insurance premiums and other	3,315,480	2,508,579	23,612
Insurance premiums	3,311,796	2,505,129	23,579
Reinsurance revenue	644	463	4
Other income to policy reserves	3,039	2,986	28
Investment income (Note 20)	744,052	758,732	7,141
Interest, dividends and other income	588,852	613,474	5,774
Interest on deposits	64	4,107	38
Interest and dividends on securities	505,535	530,326	4,991
Interest on loans	37,695	33,303	313
Rent revenue from real estate	38,997	36,112	339
Other interest and dividend	6,559	9,625	90
Gains on trading securities	108	401	3
Gains on sales of securities	88,036	78,714	740
Gains on redemption of securities	16,578	5,065	47
Foreign exchange gains	8,810	—	—
Reversal of allowance for possible loan losses	102	203	1
Other investment income	522	2,104	19
Investment gains on separate accounts	41,041	58,769	553
Other ordinary income	93,708	133,560	1,257
Annuity supplementary contract premiums	12,590	9,077	85
Proceeds from deferred insurance	54,027	62,126	584
Reversal of reserves for outstanding claims (Note 21)	9,884	29,107	273
Reversal of accrued retirement benefits	2,513	13,366	125
Other ordinary income	14,693	19,882	187
Ordinary expenses	3,924,448	3,170,939	29,846
Benefits and other payments	1,999,214	1,972,330	18,564
Claims paid	519,829	589,860	5,552
Annuity payments	703,740	634,251	5,969
Benefits payments	288,931	274,834	2,586
Surrender benefits	418,593	421,811	3,970
Other refunds	67,285	50,654	476
Reinsurance premiums	833	917	8

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Provision for policy reserves and other reserves	¥1,285,845	¥582,716	\$5,484
Provision for policy reserves (Note 21)	1,285,724	582,677	5,484
Provision for interest on policyholders' dividend reserves (Note 9)	121	39	0
Investment expenses (Note 20)	176,580	175,540	1,652
Interest expenses	7,698	18,507	174
Losses on sales of securities	39,074	43,629	410
Losses on valuation of securities	6	276	2
Losses on derivative financial instruments	107,144	89,723	844
Foreign exchange losses	—	2,286	21
Depreciation of real estate for investments	9,152	8,768	82
Other investment expenses	13,504	12,349	116
Operating expenses (Note 19)	346,894	328,569	3,092
Other ordinary expenses	115,913	111,782	1,052
Payments of benefits left to accumulate at interest	63,989	60,876	573
Taxes	28,078	24,232	228
Depreciation	13,337	13,433	126
Other ordinary expenses	10,508	13,239	124
Ordinary profit	228,793	229,933	2,164
Extraordinary gains	17,033	17,632	165
Gains on disposals of fixed assets	17,033	17,632	165
Extraordinary losses	156,646	179,938	1,693
Losses on disposals of fixed assets	5,369	1,621	15
Impairment losses (Note 22)	341	6,369	59
Provision for reserve for price fluctuation	150,200	154,600	1,455
Losses on reduction of real estate	—	16,601	156
Payments to social responsibility reserve	735	745	7
Surplus before income taxes	89,180	67,626	636
Income taxes (Note 23)			
Current	47,908	60,403	568
Deferred	(44,992)	(58,199)	(547)
Total income taxes	2,915	2,204	20
Net surplus	¥ 86,264	¥ 65,422	\$ 615

Non-Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company

Year ended March 31, 2017

Millions of Yen

	Funds, reserve and surplus										Total funds, reserve and surplus
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Reserve for future losses	Surplus					Total surplus	
					Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus		
Beginning balance	200,000	439,000	2	5,004	116,600	165,000	1,531	223	87,894	376,253	1,015,256
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 9)									(51,548)	(51,548)	(51,548)
Additions to reserve for future losses				200					(200)	—	—
Additions to reserve for redemption of foundation funds		30,000									30,000
Payment of interest on foundation funds									(2,445)	(2,445)	(2,445)
Net surplus									86,264	86,264	86,264
Redemption of foundation funds	(30,000)										(30,000)
Additions to reserve for fund redemption					33,000				(33,000)	—	—
Reversal of reserve for fund redemption					(30,000)					(30,000)	(30,000)
Additions to reserve for assisting social responsibility							700		(700)	—	—
Reversal of reserve for assisting social responsibility							(735)		735	—	—
Reversal of land revaluation differences									(5,045)	(5,045)	(5,045)
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	(30,000)	30,000	—	200	3,000	—	(35)	—	(5,939)	(2,774)	(2,774)
Ending balance	170,000	469,000	2	5,204	119,600	165,000	1,496	223	81,954	373,478	1,012,481

	Unrealized gains(losses), revaluation reserve				
	Net unrealized gains(losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains(losses), revaluation reserve	Total net assets
Beginning balance	717,257	—	(64,505)	652,752	1,668,008
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 9)				(51,548)	
Additions to reserve for future losses				—	
Additions to reserve for redemption of foundation funds				30,000	
Payment of interest on foundation funds				(2,445)	
Net surplus				86,264	
Redemption of foundation funds				(30,000)	
Additions to reserve for fund redemption				—	
Reversal of reserve for fund redemption				(30,000)	
Additions to reserve for assisting social responsibility				—	
Reversal of reserve for assisting social responsibility				—	
Reversal of land revaluation differences				(5,045)	
Net changes, excluding funds, reserve and surplus	(13,117)	(358)	5,045	(8,430)	(8,430)
Net changes in the fiscal year	(13,117)	(358)	5,045	(8,430)	(11,205)
Ending balance	704,140	(358)	(59,460)	644,321	1,656,802

	Funds, reserve and surplus										Total funds, reserve and surplus
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Reserve for future losses	Surplus					Total surplus	
					Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus		
Beginning balance	170,000	469,000	2	5,204	119,600	165,000	1,496	223	81,954	373,478	1,012,481
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 9)									(51,735)	(51,735)	(51,735)
Additions to reserve for future losses				200					(200)	—	—
Additions to reserve for redemption of foundation funds		70,000									70,000
Payment of interest on foundation funds									(1,918)	(1,918)	(1,918)
Net surplus									65,422	65,422	65,422
Redemption of foundation funds	(70,000)										(70,000)
Additions to reserve for fund redemption					27,400				(27,400)	—	—
Reversal of reserve for fund redemption					(70,000)					(70,000)	(70,000)
Additions to reserve for assisting social responsibility							700		(700)	—	—
Reversal of reserve for assisting social responsibility							(745)		745	—	—
Reversal of land revaluation differences									4,252	4,252	4,252
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	(70,000)	70,000	—	200	(42,600)	—	(45)	—	(11,533)	(53,979)	(53,979)
Ending balance	100,000	539,000	2	5,404	77,000	165,000	1,450	223	70,421	319,499	958,502

	Unrealized gains(losses), revaluation reserve				
	Net unrealized gains(losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains(losses), revaluation reserve	Total net assets
Beginning balance	704,140	(358)	(59,460)	644,321	1,656,802
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 9)				(51,735)	
Additions to reserve for future losses				—	
Additions to reserve for redemption of foundation funds				70,000	
Payment of interest on foundation funds				(1,918)	
Net surplus				65,422	
Redemption of foundation funds				(70,000)	
Additions to reserve for fund redemption				—	
Reversal of reserve for fund redemption				(70,000)	
Additions to reserve for assisting social responsibility				—	
Reversal of reserve for assisting social responsibility				—	
Reversal of land revaluation differences				4,252	
Net changes, excluding funds, reserve and surplus	64,236	931	(4,250)	60,918	60,918
Net changes in the fiscal year	64,236	931	(4,250)	60,918	6,939
Ending balance	768,377	573	(63,710)	705,239	1,663,742

Year ended March 31, 2018

Millions of U.S. Dollars

	Funds, reserve and surplus										Total funds, reserve and surplus
	Foundation funds (Note 13)	Reserve for redemption of foundation funds (Note 13)	Reserve for revaluation	Reserve for future losses	Surplus					Total surplus	
					Reserve for fund redemption	Other surplus			Unappropriated surplus		
						Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves			
Beginning balance	1,600	4,414	0	48	1,125	1,553	14	2	771	3,515	9,530
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 9)									(486)	(486)	(486)
Additions to reserve for future losses				1					(1)	—	—
Additions to reserve for redemption of foundation funds		658									658
Payment of interest on foundation funds									(18)	(18)	(18)
Net surplus									615	615	615
Redemption of foundation funds	(658)										(658)
Additions to reserve for fund redemption					257				(257)	—	—
Reversal of reserve for fund redemption					(658)					(658)	(658)
Additions to reserve for assisting social responsibility							6		(6)	—	—
Reversal of reserve for assisting social responsibility							(7)		7	—	—
Reversal of land revaluation differences									40	40	40
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	(658)	658	—	1	(400)	—	(0)	—	(108)	(508)	(508)
Ending balance	941	5,073	0	50	724	1,553	13	2	662	3,007	9,022

Unrealized gains(losses), revaluation reserve

	Unrealized gains(losses), revaluation reserve				Total net assets
	Net unrealized gains(losses) on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains(losses), revaluation reserve	
Beginning balance	6,627	(3)	(559)	6,064	15,594
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 9)					(486)
Additions to reserve for future losses					—
Additions to reserve for redemption of foundation funds					658
Payment of interest on foundation funds					(18)
Net surplus					615
Redemption of foundation funds					(658)
Additions to reserve for fund redemption					—
Reversal of reserve for fund redemption					(658)
Additions to reserve for assisting social responsibility					—
Reversal of reserve for assisting social responsibility					—
Reversal of land revaluation differences					40
Net changes, excluding funds, reserve and surplus	604	8	(40)	573	573
Net changes in the fiscal year	604	8	(40)	573	65
Ending balance	7,232	5	(599)	6,638	15,660

Non-Consolidated Proposed Appropriation of Surplus

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Unappropriated surplus	¥81,954	¥70,421	\$662
Appropriation of surplus	81,954	70,421	662
Policyholders' dividend reserves	51,735	52,804	497
Net surplus	30,218	17,616	165
Reserve for future losses	200	200	1
Interest on foundation funds	1,918	1,116	10
Voluntary surplus reserves	28,100	16,300	153
Reserve for fund redemption	27,400	15,600	146
Reserve for assisting social responsibility	700	700	6

Note 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 Insurance Business Act and its related accounting regulations in Japan, and in conformity with the accounting principles generally accepted in Japan ("Japanese GAAP"), 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 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 the Japanese GAAP but is presented herein as additional information.

Japanese yen amounts are rounded down to million yen amounts. As a result, the totals do not add up. The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate as of March 31, 2018, which was ¥106.24 to U.S. \$1. The convenience translation should not be construed as representations that Japanese yen amounts were, have been, or may in the future be, converted into U.S. dollars at this or any other exchange rate.

Note 2

Summary of Significant Accounting Policies

1) Securities, derivative instruments, and hedge accounting

a) Securities

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

Trading securities are stated at the market value on the balance sheet date. The cost of the 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 (defined in 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 Industry", issued by the Japanese Institute of Certified Public Accountants. The cost of the 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 the readily determinable market values classified as available-for-sale securities are stated at the market value which is determined as the average of the market value during the last month of the fiscal year. The other available-for-sale securities with the readily determinable market values are stated mainly at the market value on the balance sheet date. Available-for-sale securities for which determination of the 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.

b) Derivative instruments

Derivatives are stated at the fair value.

c) Hedge accounting

Under Japanese GAAP, the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed.

Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.

In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rates stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized as an asset or liability measured at the fair value either on 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 the fair value, but the net amounts paid or received under the swap agreements are recognized and included in interest expense or income of the hedged items (the exceptional method).

The Company mainly adopts the fair value hedge method and the allocation method to hedge foreign currency risks of assets and liabilities 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 the fair values or cash flows of the hedged items and the hedging instruments.

2) Policy-reserve-matching bonds

The Company classifies 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 insurances, individual annuities and group annuities 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

The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rate 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.

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.

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 the revaluation is directly included in net assets and presented as land revaluation differences, net of deferred tax liabilities for land revaluation in the non-consolidated balance sheets.

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

Pursuant to the Article, 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.

5) Software

Capitalized software for internal use included in intangible fixed assets is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

6) 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 ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("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 disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("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 through disposal of collaterals and execution of guarantees. For the 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 assessment results.

For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal years ended March 31, 2017 and 2018 amounted to ¥38 million and ¥36 million (U.S. \$0 million), respectively.

7) Accrued retirement benefits

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

8) Reserve for price fluctuation

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

9) Accounting for consumption taxes

National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the fiscal year, 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.

10) 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 methods:

- a) For contracts which are subject to the standard policy reserve requirements, the premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).
- b) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

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

For individual annuity contracts which commenced on or after April 1, 2006, the Company has regarded their commencement dates of annuity payments as the contract dates, and applied the calculation basis stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996). (For contracts which commenced by March 31, 2007, assumed mortality rates on the 2007 life insurance standard life table have been used.)

11) Revenue recognition

The Company recognizes insurance premiums when premiums are received, and does not recognize insurance premiums due but not collected as revenues. The Company recognizes unearned insurance premiums as policy reserves.

12) Policy acquisition costs

The Company recognizes policy acquisition costs when incurred.

13) Additional Information

The Company and certain subsidiaries made an application for the consolidation tax filings to the tax authority in December 2016. The application was approved, and the consolidation tax filings were adopted, with the Company being a parent company under the system from the fiscal year ended March 31, 2018. Preparing for the adoption, the financial statements for the fiscal year ended March 31, 2017 were presented in accordance with "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)" (Practical Issues Task Force No. 5, revised on January 16, 2015) and "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)" (Practical Issues Task Force No. 7, revised on January 16, 2015).

Financial Instruments

1) Qualitative information on financial instruments

The Company applies Asset and Liability Management (ALM) 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.

Major 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 to bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge interest fluctuation risks of floating rate assets. Gains and losses on certain foreign currency forward contracts to hedge foreign currency risks mainly of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in the 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 foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swap transactions meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to accounting principles.

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 rules. Moreover, the risk management department maintains effective risk management structures by independently 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 situations.

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 order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial conditions 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 with 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 shows the carrying amounts in the non-consolidated balance sheets and the fair values and their differences of financial instruments as of March 31, 2017 and 2018.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 878,754	¥ 878,754	¥ —	¥ 1,301,620	¥ 1,301,620	¥ —	\$ 12,251	\$ 12,251	\$ —
[Available-for-sale securities]*1	[609,980]	[609,980]	—	[441,084]	[441,084]	—	[4,151]	[4,151]	—
Call loans	203,345	203,345	—	187,361	187,361	—	1,763	1,763	—
Monetary claims bought	230,518	231,958	1,439	283,252	284,696	1,444	2,666	2,679	13
[Available-for-sale securities]*1	[196,810]	[196,810]	—	[209,492]	[209,492]	—	[1,971]	[1,971]	—
Securities *2	23,750,503	26,082,142	2,331,638	24,888,639	27,173,343	2,284,704	234,268	255,773	21,505
Trading securities	1,117,627	1,117,627	—	917,228	917,228	—	8,633	8,633	—
Held-to-maturity debt securities	1,942,014	2,303,448	361,434	1,888,273	2,202,331	314,058	17,773	20,729	2,956
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623	11,206,795	13,156,647	1,949,852	105,485	123,838	18,353
Investments in subsidiaries and affiliated companies	33,173	35,754	2,580	33,173	53,967	20,793	312	507	195
Available-for-sale securities	9,569,013	9,569,013	—	10,843,168	10,843,168	—	102,062	102,062	—
Loans	2,972,689			2,781,305			26,179		
Allowance for possible loan losses *3	(912)			(719)			(6)		
	2,971,776	3,019,717	47,940	2,780,585	2,821,076	40,490	26,172	26,553	381
Corporate bonds	354,480	366,595	12,115	499,924	514,191	14,267	4,705	4,839	134
Payables under repurchase agreements	556,909	556,909	—	860,119	860,119	—	8,096	8,096	—
Payables under securities borrowing transactions	702,759	702,759	—	1,116,092	1,116,092	—	10,505	10,505	—
Derivative transactions *4	(275,329)	(275,329)	—	190,625	190,625	—	1,794	1,794	—
Hedge accounting not applied	(19,407)	(19,407)	—	9,851	9,851	—	92	92	—
Hedge accounting applied	(255,922)	(255,922)	—	180,774	180,774	—	1,701	1,701	—

*1 Available-for-sale securities are shown in [].

*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 ¥981,634 million and ¥931,092 million (U.S. \$8,764 million) as of March 31, 2017 and 2018, respectively.

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

*4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

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 Standard for Financial Instruments" (ASBJ Statement No. 10), the fair value is measured based on the closing market value on the balance sheet date.

2) Monetary claims bought

The fair value is measured mainly based on the closing market value on the balance sheet date.

3) Securities

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

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

4) Loans

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book 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 loans.

As for loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Corporate bonds

The fair value is measured mainly based on the closing market value on the balance sheet date.

2) Payables under repurchase agreements and payables under securities borrowing transactions

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

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 Standard for Financial Instruments” (ASBJ Statement No. 10)

The following tables show the carrying amounts in the non-consolidated balance sheets, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2017 and 2018.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
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	¥ 435,999	¥ 467,721	¥ 31,722	¥ 394,228	¥ 423,565	¥ 29,336	\$ 3,710	\$ 3,986	\$ 276
Foreign securities (bonds)	1,506,014	1,835,726	329,712	1,493,938	1,778,660	284,722	14,061	16,741	2,679
Fair value does not exceed the balance sheet amount									
Bonds	—	—	—	106	105	(0)	0	0	(0)
Foreign securities (bonds)	—	—	—	—	—	—	—	—	—
Total	1,942,014	2,303,448	361,434	1,888,273	2,202,331	314,058	17,773	20,729	2,956

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2017			2018			2018		
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	¥10,370,228	¥12,390,054	¥2,019,825	¥10,397,017	¥12,388,306	¥1,991,289	\$ 97,863	\$116,606	\$18,743
Foreign securities (bonds)	93,773	97,379	3,606	87,797	91,618	3,820	826	862	35
Fair value does not exceed the balance sheet amount									
Bonds	593,160	537,900	(55,260)	537,536	497,343	(40,193)	5,059	4,681	(378)
Foreign securities (bonds)	31,511	30,962	(548)	184,442	179,379	(5,063)	1,736	1,688	(47)
Total	11,088,673	13,056,296	1,967,623	11,206,795	13,156,647	1,949,852	105,485	123,838	18,353

The following table shows 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, 2017 and 2018.

3) Available-for-sale securities

As of March 31	Millions of Yen						Millions of U.S. Dollars			
	2017			2018			2018			
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	128,437	134,786	6,349	136,556	143,818	7,261	1,285	1,353	68	
Bonds	1,157,758	1,240,808	83,050	1,145,648	1,228,359	82,711	10,783	11,562	778	
Stocks	684,042	1,492,781	808,738	737,091	1,723,815	986,723	6,937	16,225	9,287	
Foreign securities	2,862,019	3,052,982	190,963	3,284,045	3,421,553	137,507	30,911	32,205	1,294	
Foreign bonds	2,825,383	3,015,533	190,150	3,163,585	3,298,255	134,670	29,777	31,045	1,267	
Other foreign securities	36,636	37,448	812	120,460	123,297	2,837	1,133	1,160	26	
Other securities	102,526	116,596	14,070	34,983	48,789	13,806	329	459	129	
Balance sheet amount does not exceed acquisition costs or amortized costs										
Negotiable certificates of deposit	610,000	609,980	(19)	441,100	441,084	(15)	4,151	4,151	(0)	
Monetary claims bought	62,499	62,024	(475)	65,766	65,674	(92)	619	618	(0)	
Bonds	326,363	321,695	(4,668)	503,611	486,145	(17,466)	4,740	4,575	(164)	
Stocks	100,158	91,851	(8,307)	101,508	88,848	(12,659)	955	836	(119)	
Foreign securities	3,347,280	3,228,069	(119,211)	3,976,319	3,835,717	(140,601)	37,427	36,104	(1,323)	
Foreign bonds	3,311,499	3,192,385	(119,114)	3,876,399	3,736,152	(140,246)	36,487	35,167	(1,320)	
Other foreign securities	35,781	35,684	(97)	99,919	99,564	(355)	940	937	(3)	
Other securities	24,895	24,229	(665)	10,000	9,940	(60)	94	93	(0)	
Total	9,405,982	10,375,805	969,822	10,436,630	11,493,745	1,057,115	98,236	108,186	9,950	

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

Scheduled redemptions of monetary claims and securities with maturities, corporate bonds and other liabilities

As of March 31, 2017

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	¥ 878,589	¥ —	¥ —	¥ —
Call loans	203,345	—	—	—
Monetary claims bought	39,760	1,242	452	183,196
Securities	624,666	2,226,308	5,125,845	12,250,045
Held-to-maturity debt securities	20,342	238,908	635,931	1,044,531
Policy-reserve-matching bonds	217,218	529,041	1,334,051	8,950,657
Available-for-sale securities	387,105	1,458,358	3,155,862	2,254,856
Loans	1,203,855	659,320	534,394	223,828
Corporate bonds	—	—	—	354,480
Payables under repurchase agreements	556,909	—	—	—
Payables under securities borrowing transactions	702,759	—	—	—

As of March 31, 2018

	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	¥1,301,462	¥ —	¥ —	¥ —	\$12,250	\$ —	\$ —	\$ —
Call loans	187,361	—	—	—	1,763	—	—	—
Monetary claims bought	49,629	751	269	225,416	467	7	2	2,121
Securities	567,009	2,294,060	5,495,859	12,842,958	5,337	21,593	51,730	120,886
Held-to-maturity debt securities	65,428	196,116	638,295	986,561	615	1,845	6,008	9,286
Policy-reserve-matching bonds	136,707	517,935	1,697,358	8,781,093	1,286	4,875	15,976	82,653
Available-for-sale securities	364,874	1,580,008	3,160,206	3,075,302	3,434	14,872	29,745	28,946
Loans	1,029,722	629,709	514,079	273,052	9,692	5,927	4,838	2,570
Corporate bonds	—	—	—	499,924	—	—	—	4,705
Payables under repurchase agreements	860,119	—	—	—	8,096	—	—	—
Payables under securities borrowing transactions	1,116,092	—	—	—	10,505	—	—	—

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

Note.4: Fair values of derivative transactions

1) Interest-rate related

a) Hedge accounting not applied

As of March 31, 2017

Type	Millions of Yen			Net gains (losses)
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Interest rate swaptions				
Bought				
Receipts floating, payments fixed	¥170,000	¥—	¥4	¥(630)
	[635]			
Total				(630)

As of March 31, 2018

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 swaptions								
Bought								
Receipts floating, payments fixed	¥—	¥—	¥—	¥—	\$—	\$—	\$—	\$—
	[—]				[—]			
Total				—				—

*1.Option fees are shown in [].

*2.Net gains (losses) represent the differences between the option fees and the fair values.

b) Hedge accounting applied

As of March 31, 2017

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 swaps				
Exceptional method	Receipts fixed, payments floating	Loans	¥33,828	¥17,520	¥388
	Receipts floating, payments fixed	—	—	—	—
Deferred hedge method	Interest rate swaps				
	Receipts fixed, payments floating	Loans	15,000	15,000	(119)
Total					268

As of March 31, 2018

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars		
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
	Interest rate swaps							
Exceptional method	Receipts fixed, payments floating	Loans	¥17,520	¥14,236	¥119	\$164	\$134	\$16
	Receipts floating, payments fixed	Loans	47,808	47,808	660	450	450	6
Deferred hedge method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	15,000	15,000	(79)	141	141	(0)
Total					701			6

*1.The fair values of certain interest rate swaps under the exceptional method are included in the fair values of related loans since they are accounted for as integrated transactions.

2) Currency-related

a) Hedge accounting not applied

As of March 31, 2017

Type	Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥298,747	¥818	¥(15,806)	¥(15,806)
(Australian dollar)	187,661	—	(14,281)	(14,281)
(U.S. dollar)	66,485	818	(1,977)	(1,977)
(Euro)	40,713	—	438	438
Bought	533,720	—	(5,205)	(5,205)
(U.S. dollar)	532,305	—	(5,204)	(5,204)
(Euro)	1,078	—	(1)	(1)
(Australian dollar)	149	—	0	0
Currency options				
Bought				
Put	54,750	—		
	[397]		177	(219)
(U.S. dollar)	54,750	—		
	[397]		177	(219)
Total				(21,230)

As of March 31, 2018

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)
Foreign currency forward contracts								
Sold	¥333,609	¥—	¥13,762	¥13,762	\$3,140	\$—	\$129	\$129
(Australian dollar)	214,582	—	11,972	11,972	2,019	—	112	112
(U.S. dollar)	89,636	—	1,886	1,886	843	—	17	17
(Euro)	21,527	—	(55)	(55)	202	—	(0)	(0)
Bought	276,116	—	(3,911)	(3,911)	2,598	—	(36)	(36)
(U.S. dollar)	171,648	—	(3,618)	(3,618)	1,615	—	(34)	(34)
(Euro)	53,012	—	(325)	(325)	498	—	(3)	(3)
(Australian dollar)	51,245	—	32	32	482	—	0	0
Currency options								
Bought								
Put	—	—			—	—		
	[—]		—	—	[—]		—	—
(U.S. dollar)	—	—			—	—		
	[—]		—	—	[—]		—	—
Total				9,851				92

*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.

b) Hedge accounting applied

As of March 31, 2017

Hedge accounting model	Type	Main hedged items	Millions of Yen			
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Fair value hedge method	Foreign currency forward contracts	Foreign-currency-denominated assets	¥5,424,477	¥320,453	¥(255,228)	
			(U.S. dollar)	3,227,455	233,066	(140,801)
			(Euro)	1,146,493	—	(6,205)
			(Australian dollar)	868,089	87,387	(101,535)
Allocation method	Foreign currency forward contracts	Foreign-currency-denominated assets	58,502	55,505	(20,963)	
			(Australian dollar)	55,505	55,505	(20,033)
			(U.S. dollar)	2,996	—	(929)
Allocation method	Currency swaps	Foreign-currency-denominated assets	127,077	127,077	6,470	
	(U.S. dollar)		127,077	127,077	6,470	
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	99,480	99,480	15,816	
			(U.S. dollar)	99,480	99,480	15,816
Deferred hedge method	Currency swaps	Foreign-currency-denominated assets	26,780	26,780	(574)	
			(U.S. dollar)	24,326	24,326	(614)
Total					(254,479)	

As of March 31, 2018

Hedge accounting model	Type	Main hedged items	Millions of Yen			Millions of U.S. Dollars			
			Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	
Fair value hedge method	Foreign currency forward contracts	Foreign-currency-denominated assets	¥6,803,557	¥187,916	¥180,238	\$64,039	\$1,768	\$1,696	
			(U.S. dollar)	3,704,596	127,932	141,139	34,870	1,204	1,328
			(Euro)	1,821,424	—	9,954	17,144	—	93
			(Australian dollar)	981,860	59,984	23,450	9,241	564	220
Allocation method	Foreign currency forward contracts	Foreign-currency-denominated assets	53,778	—	(18,082)	506	—	(170)	
			(Australian dollar)	53,778	—	(18,082)	506	—	(170)
			(U.S. dollar)	—	—	—	—	—	—
Allocation method	Currency swaps	Foreign-currency-denominated assets	141,197	141,197	12,310	1,329	1,329	115	
			(U.S. dollar)	141,197	141,197	12,310	1,329	1,329	115
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	244,924	244,924	(5,221)	2,305	2,305	(49)	
			(U.S. dollar)	244,924	244,924	(5,221)	2,305	2,305	(49)
Deferred hedge method	Currency swaps	Foreign-currency-denominated assets	26,780	26,780	615	252	252	5	
			(U.S. dollar)	24,326	24,326	808	228	228	7
Total					169,860		1,598		

*1. The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related foreign-currency-denominated assets and liabilities since they are accounted for as integrated transactions.

3) Stock-related

a) Hedge accounting not applied

As of March 31, 2017

		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Stock index futures					
Exchange-traded transactions	Sold	¥100,015	¥ —	¥1,763	¥1,763
	Bought	23,952	—	(342)	(342)
Total					1,421

As of March 31, 2018

		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)
Stock index futures									
Exchange-traded transactions	Sold	¥ 9,758	¥ —	¥(231)	¥(231)	\$ 91	\$ —	\$(2)	\$(2)
	Bought	10,903	—	231	231	102	—	2	2
Total					(0)	(0)			

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

b) Hedge accounting applied

No ending balances as of March 31, 2017 and 2018.

Note 4

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥402,828 million and ¥389,919 million (U.S. \$3,670 million), and their fair values were ¥443,679 million and ¥464,822 million (U.S. \$4,375 million) as of March 31, 2017 and 2018, 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 ¥1,360 million and ¥1,383 million (U.S. \$13 million) as of March 31, 2017 and 2018, respectively.

Note 5

Securities Lending

Securities loaned under security lending agreements amounted to ¥1,676,673 million and ¥2,962,410 million (U.S. \$27,884 million) as of March 31, 2017 and 2018, respectively.

Note 6

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥414,720 million and ¥417,823 million (U.S. \$3,932 million) as of March 31, 2017 and 2018, respectively.

Note 7

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥1,243,010 million and ¥986,044 million (U.S. \$9,281 million) as of March 31, 2017 and 2018, respectively. The total amounts of separate account liabilities were the same as these.

Note 8

Monetary Receivable from and Payable to Subsidiaries

The total amounts of monetary receivable from and payable to subsidiaries as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Monetary receivable	¥ 822	¥49,198	\$463
Monetary payable	8,159	11,554	108

Note 9

Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
At the beginning of the fiscal year	¥259,228	¥245,951	\$2,315
Transfer from surplus in the previous fiscal year	51,548	51,735	486
Dividend payments to policyholders during the fiscal year	(64,947)	(62,177)	(585)
Interest accrued during the fiscal year	121	39	0
At the end of the fiscal year	¥245,951	¥235,548	\$2,217

Note 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 ¥703,784 million and ¥768,952 million (U.S. \$7,237 million) as of March 31, 2017 and 2018, respectively.

Accrued Retirement Benefits

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Method of attributing benefits to period of service	Benefit formula basis	Benefit formula basis
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years	8 years
Amortization period for past service costs	—	3 years

The following provides details of the retirement benefit plans.

1) Summary of the retirement benefit plans

The Company has defined benefit corporate pension plans and retirement allowance systems, which distribute a lump sum payment on retirement, as defined benefit plans, and a defined contribution pension plan as defined contribution plans.

The Company established retirement benefit trusts for certain retirement allowance systems.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
At the beginning of the fiscal year	¥296,319	¥294,955	\$2,776
Service costs	12,864	12,760	120
Interest costs on projected benefit obligations	4,364	4,331	40
Actuarial losses (gains)	2,699	2,702	25
Benefits paid	(21,292)	(18,501)	(174)
Past service costs	—	(11,385)	(107)
At the end of the fiscal year	¥294,955	¥284,862	\$2,681

b) Changes in the plan assets for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
At the beginning of the fiscal year	¥268,727	¥292,612	\$2,754
Expected return on plan assets	2,361	4,816	45
Actuarial gains (losses)	20,952	11,019	103
Contribution by employer	10,211	6,388	60
Benefits paid	(9,640)	(7,218)	(67)
At the end of the fiscal year	¥292,612	¥307,619	\$2,895

c) The amounts of the defined benefit liabilities and the defined benefit assets in the non-consolidated balance sheets as of March 31, 2017 and 2018 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Present value of funded obligations	¥ 294,955	¥ 284,862	\$ 2,681
Plan assets at fair value	(292,612)	(307,619)	(2,895)
Net present value of funded obligations	2,342	(22,756)	(214)
Unrecognized actuarial gains (losses)	43,105	43,769	411
Unrecognized past service costs	—	11,069	104
Net value on the balance sheet	45,448	32,082	301
Accrued retirement benefits	45,448	32,082	301
Net value on the balance sheet	¥ 45,448	¥ 32,082	\$ 301

d) The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Service costs	¥12,864	¥12,760	\$120
Interest costs on projected benefit obligations	4,364	4,331	40
Expected return on plan assets	(2,361)	(4,816)	(45)
Amortization of net actuarial losses (gains)	4,482	(7,653)	(72)
Amortization of net past service costs	—	(316)	(2)
Retirement benefit expenses	¥19,349	¥ 4,305	\$ 40

e) The plan assets

The plan assets as of March 31, 2017 and 2018 were comprised as follows:

	% of total fair value of plan assets	
	2017	2018
Equity securities	42%	43%
General accounts of life insurance companies	42%	41%
Investment trusts	6%	6%
Debt securities	5%	5%
Others	5%	5%
Total	100%	100%

45% and 47% of the plan assets were the retirement benefit trusts as of March 31, 2017 and 2018, respectively.

f) The expected long-term rate of return on the plan assets

The expected long-term rate of return on the plan assets is calculated by aggregating the weighted rates of return derived from each asset category. The expected long-term rates of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

g) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2017 and 2018 were as follows:

	2017	2018
Discount rate	1.473%	1.473%
Expected long-term rates of return on the plan assets		
Defined benefit pension plans	1.5%	3.0%
Retirement benefit trusts	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥892 million and ¥930 million (U.S. \$8 million) for the fiscal years ended March 31, 2017 and 2018, respectively.

Note 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.

Note 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 situations, 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 ¥30,000 million and ¥70,000 million (U.S. \$658 million) of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act for the fiscal years ended March 31, 2017 and 2018, respectively.

Note 14**Pledged Assets**

Assets pledged as collateral were securities in the amounts of ¥1,148,005 million and ¥1,473,833 million (U.S. \$13,872 million) as of March 31, 2017 and 2018, respectively.

Note 15**Equity Investments in Subsidiaries**

Total amounts of equity investments in subsidiaries were ¥638,081 million and ¥645,489 million (U.S. \$6,075 million) as of March 31, 2017 and 2018, respectively.

Note 16**Loans**

The aggregate amounts of risk-monitored loans, which were comprised of loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer, and restructured loans, were ¥877 million and ¥909 million (U.S. \$8 million) as of March 31, 2017 and 2018, respectively.

The amounts of loans to bankrupt borrowers were nil and nil, and loans in arrears were ¥877 million and ¥909 million (U.S. \$8 million) as of March 31, 2017 and 2018, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets were ¥24 million and ¥22 million (U.S. \$0 million) for loans in arrears as of March 31, 2017 and 2018, 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 or 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Loans in arrears represent non-accrual loans excluding 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 non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in self-assessment of asset quality.

The amounts of loans in arrears for three months or longer were ¥0 million and nil as of March 31, 2017 and 2018, respectively.

Loans in arrears for three months or longer represent 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 nil and nil as of March 31, 2017 and 2018, respectively.

Restructured loans represent 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 the 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.

Note 17

Loan Commitments

The amounts of loan commitments outstanding were ¥12,140 million and ¥10,149 million (U.S. \$95 million) as of March 31, 2017 and 2018, respectively.

Note 18

Reinsurance

The amounts of reinsurance recoverable on outstanding claims pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act which applies mutatis mutandis to Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("reinsurance recoverable on outstanding claims"), were ¥45 million and ¥12 million (U.S. \$0 million) as of March 31, 2017 and 2018, respectively.

The amounts of reinsurance recoverable on policy reserves pursuant to Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("reinsurance recoverable on policy reserves") were ¥112 million and ¥1,155 million (U.S. \$10 million) as of March 31, 2017 and 2018, respectively.

Note 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 ¥40,722 million and ¥39,400 million (U.S. \$370 million) as of March 31, 2017 and 2018, respectively, pursuant to Article 259 of the Insurance Business Act.

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

Note 20

Investment Income and Expenses

Major components of gains on sales of securities for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Domestic bonds including national government bonds	¥82,941	¥53,092	\$499
Domestic stocks	5,094	17,937	168
Foreign securities	1	7,683	72

Major components of losses on sales of securities for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Domestic bonds including national government bonds	¥ 1,583	¥ 138	\$ 1
Domestic stocks	2,351	2,937	27
Foreign securities	35,139	40,553	381

Major components of losses on valuation of securities for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Domestic stocks	¥6	¥276	\$2

Major components of gains (losses) on trading securities for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Interest and dividend income	¥ 4	¥ 18	\$0
Gains (Losses) on sales of securities	104	388	3
Gains (losses) on valuation	—	(5)	(0)

Gains or losses on derivative financial instruments, net, included net valuation losses of ¥19,312 million and gains of ¥89,527 million (U.S. \$842 million) for the fiscal years ended March 31, 2017 and 2018, respectively.

Note 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 years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 0	¥ (32)	\$(0)
Provision for (reversal of) reinsurance recoverable on policy reserves	29	1,042	9

Note **22**

Impairment of Fixed Assets

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

Accumulated impairment losses on fixed assets are directly reduced from amounts of their respective assets.

1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for its insurance business as one asset group for the impairment test.

The Company treats real estates for investment and idle assets as an independent asset group for the impairment test.

2) Description of impairment losses

For the fiscal years ended March 31, 2017 and 2018, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the non-consolidated statements of income.

3) Breakdown of impairment losses for the fiscal years ended March 31, 2017 and 2018

Asset Group	Asset Category	Millions of Yen		Millions of U.S. Dollars
		2017	2018	2018
Real estate for investment	Land and buildings	¥226	¥5,711	\$53
Idle assets	Land and buildings	115	658	6
Total		¥341	¥6,369	\$59

4) The recoverable amounts

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

Note **23**

Deferred Taxes

1) Deferred tax assets/liabilities as of March 31, 2017 and 2018 were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Deferred tax assets	¥421,812	¥476,915	\$4,489
Valuation allowance for deferred tax assets	(12,353)	(12,191)	(114)
Subtotal	409,459	464,723	4,374
Deferred tax liabilities	(284,849)	(310,008)	(2,918)
Net deferred tax assets/(liabilities)	124,609	154,714	1,456

Major components of deferred tax assets/liabilities as of March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Deferred tax assets:			
Policy reserves and other reserves	¥182,721	¥195,372	\$1,838
Reserve for price fluctuation	140,456	183,682	1,728
Accrued retirement benefits	45,285	41,493	390
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	273,289	298,220	2,807

2) The actual effective income tax rates were 3.2% and 3.2% for the fiscal years ended March 31, 2017 and 2018, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2017	2018
Policyholders' dividend reserves	(16.6)%	(23.0)%
Exclusion from gross profits of dividend received	(6.1)%	(2.9)%

Note 24

Transactions with Subsidiaries

The total amounts of income and expenses resulting from transactions with subsidiaries for the fiscal years ended March 31, 2017 and 2018 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2017	2018	2018
Total income	¥24,516	¥11,800	\$111
Total expenses	18,089	17,390	163

Note 25

Subordinated Bonds

Corporate bonds in liabilities are subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations.

Note 26

Securities Borrowed under Borrowing Agreements

Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair values of the securities which were not sold or pledged as collateral were ¥80,949 million and ¥157,703 million (U.S. \$1,484 million), and none of the securities was pledged as collateral as of March 31, 2017 and 2018, respectively.

Independent Auditor's Report



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, 2017 and 2018, 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 misstatement, 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 judgment, 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 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, 2017 and 2018, and its financial performance for the years then ended in accordance 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, 2018 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

June 29, 2018
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.

Financial Information

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Notes: 1. U.S. dollar amounts are converted at U.S. \$1.00 = ¥106.24, the rate prevailing on March 31, 2017.
2. Amounts of less than one million yen or less than one million dollars have been truncated.

Breakdown of Ordinary Profit (Core Business Profit)

Millions of Yen

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Core business profit A	337,697	352,581
Capital gains	96,955	89,534
Gains on trading securities	108	401
Gains on sales of securities	88,036	78,714
Foreign exchange gains	8,810	—
Other capital gains	—	10,419
Capital losses	146,224	135,915
Losses on sales of securities	39,074	43,629
Losses on valuation of securities	6	276
Losses on derivative financial instruments	107,144	89,723
Foreign exchange losses	—	2,286
Net capital gains / losses B	(49,269)	(46,380)
Core business profit including net capital gains / losses A+B	288,427	306,201
Nonrecurring gains	—	10
Reversal of specific allowance for possible loan losses	—	10
Nonrecurring losses	59,634	76,277
Provision for contingency reserve	11,100	15,700
Provision for specific allowance for possible loan losses	4	—
Other nonrecurring losses	48,529	60,577
Nonrecurring gains / losses C	(59,634)	(76,267)
Ordinary profit A+B+C	228,793	229,933

(Note) In fiscal 2017, the financial impact of fluctuations in the surrender benefits amount concerning market value adjustment and the financial impact of market exchange rate fluctuations concerning foreign currency-denominated insurance policies are included in capital gains and losses.

(Reference) Breakdown of other items

		Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Core business profit	Financial impact of fluctuations in the surrender benefits amount concerning market value adjustment	—	(266)
	Financial impact of market exchange rate fluctuations concerning foreign currency-denominated insurance policies	—	(10,153)
Other capital gains	Financial impact of fluctuations in the surrender benefits amount concerning market value adjustment	—	266
	Financial impact of market exchange rate fluctuations concerning foreign currency-denominated insurance policies	—	10,153
Other nonrecurring losses	Additional provisions of policy reserves for part of the individual annuity contracts after the commencement of annuity payments	48,529	60,577

Fair Value Information of Securities (Company Total)

1. Fair Value Information of Securities (Company Total)

a. Net valuation gains (losses) on trading securities

Millions of Yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Balance sheet amount	Net valuation gains (losses) included in statement of income	Balance sheet amount	Net valuation gains (losses) included in statement of income
Trading securities	1,117,627	(41,831)	917,228	(24,463)

(Note) Although the above table includes securities in "money-held-in-trusts for trading purposes," there were no applicable amounts for March 31, 2017 and 2018.

b. Fair value information of securities (with fair value except for trading securities)

Millions of Yen

Classification	As of March 31, 2017					As of March 31, 2018				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	1,942,014	2,303,448	361,434	361,434	—	1,888,273	2,202,331	314,058	314,058	(0)
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623	2,023,431	(55,808)	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)
Investments in subsidiaries and affiliated companies	33,173	35,754	2,580	2,580	—	33,173	53,967	20,793	20,793	—
Available-for-sale securities	9,405,982	10,375,805	969,822	1,103,170	(133,348)	10,436,630	11,493,745	1,057,115	1,228,009	(170,894)
Domestic bonds	1,484,122	1,562,503	78,381	83,050	(4,668)	1,649,259	1,714,504	65,245	82,711	(17,466)
Domestic stocks	784,201	1,584,632	800,430	808,738	(8,307)	838,599	1,812,663	974,063	986,723	(12,659)
Foreign securities	6,209,300	6,281,051	71,751	190,963	(119,211)	7,260,364	7,257,270	(3,094)	137,507	(140,601)
Foreign bonds	6,136,882	6,207,918	71,036	190,150	(119,114)	7,039,984	7,034,408	(5,576)	134,670	(140,246)
Other foreign securities	72,417	73,132	714	812	(97)	220,380	222,862	2,482	2,837	(355)
Other securities	127,421	140,826	13,404	14,070	(665)	44,983	58,729	13,746	13,806	(60)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	202,323	209,492	7,169	7,261	(92)
Negotiable certificates of deposit	610,000	609,980	(19)	—	(19)	441,100	441,084	(15)	—	(15)
Others	—	—	—	—	—	—	—	—	—	—
Total	22,469,844	25,771,305	3,301,461	3,490,618	(189,156)	23,564,872	26,906,692	3,341,819	3,557,971	(216,152)
Domestic bonds	12,883,510	14,958,180	2,074,669	2,134,598	(59,928)	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)
Domestic stocks	784,201	1,584,632	800,430	808,738	(8,307)	838,599	1,812,663	974,063	986,723	(12,659)
Foreign securities	7,873,773	8,280,876	407,102	526,862	(119,760)	9,059,717	9,360,895	301,178	446,843	(145,665)
Foreign bonds	7,768,181	8,171,988	403,806	523,468	(119,662)	8,806,163	9,084,066	277,902	423,212	(145,309)
Other foreign securities	105,591	108,887	3,295	3,393	(97)	253,554	276,829	23,275	23,631	(355)
Other securities	127,421	140,826	13,404	14,070	(665)	44,983	58,729	13,746	13,806	(60)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	202,323	209,492	7,169	7,261	(92)
Negotiable certificates of deposit	610,000	609,980	(19)	—	(19)	441,100	441,084	(15)	—	(15)
Others	—	—	—	—	—	—	—	—	—	—

(Note) The above table includes items deemed appropriate to be handled as securities under the Financial Instruments and Exchange Act in Japan.

●Held-to-maturity debt securities

Millions of Yen

		As of March 31, 2017			As of March 31, 2018		
		Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	435,999	467,721	31,722	394,228	423,565	29,336
	Foreign securities (bonds)	1,506,014	1,835,726	329,712	1,493,938	1,778,660	284,722
Fair value does not exceed the balance sheet amount	Bonds	—	—	—	106	105	(0)
	Foreign securities (bonds)	—	—	—	—	—	—
Total		1,942,014	2,303,448	361,434	1,888,273	2,202,331	314,058

●Policy-reserve-matching bonds

Millions of Yen

		As of March 31, 2017			As of March 31, 2018		
		Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,370,228	12,390,054	2,019,825	10,397,017	12,388,306	1,991,289
	Foreign securities (bonds)	93,773	97,379	3,606	87,797	91,618	3,820
Fair value does not exceed the balance sheet amount	Bonds	593,160	537,900	(55,260)	537,536	497,343	(40,193)
	Foreign securities (bonds)	31,511	30,962	(548)	184,442	179,379	(5,063)
Total		11,088,673	13,056,296	1,967,623	11,206,795	13,156,647	1,949,852

● Available-for-sale securities

		Millions of Yen					
		As of March 31, 2017			As of March 31, 2018		
	Type	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	128,437	134,786	6,349	136,556	143,818	7,261
	Domestic bonds	1,157,758	1,240,808	83,050	1,145,648	1,228,359	82,711
	Domestic stocks	684,042	1,492,781	808,738	737,091	1,723,815	986,723
	Foreign securities	2,862,019	3,052,982	190,963	3,284,045	3,421,553	137,507
	Foreign bonds	2,825,383	3,015,533	190,150	3,163,585	3,298,255	134,670
	Other foreign securities	36,636	37,448	812	120,460	123,297	2,837
	Other securities	102,526	116,596	14,070	34,983	48,789	13,806
Balance sheet amount does not exceed acquisition costs or amortized costs	Negotiable certificates of deposit	610,000	609,980	(19)	441,100	441,084	(15)
	Monetary claims bought	62,499	62,024	(475)	65,766	65,674	(92)
	Domestic bonds	326,363	321,695	(4,668)	503,611	486,145	(17,466)
	Domestic stocks	100,158	91,851	(8,307)	101,508	88,848	(12,659)
	Foreign securities	3,347,280	3,228,069	(119,211)	3,976,319	3,835,717	(140,601)
	Foreign bonds	3,311,499	3,192,385	(119,114)	3,876,399	3,736,152	(140,246)
	Other foreign securities	35,781	35,684	(97)	99,919	99,564	(355)
	Other securities	24,895	24,229	(665)	10,000	9,940	(60)
Total		9,405,982	10,375,805	969,822	10,436,630	11,493,745	1,057,115

Book values of securities whose fair value is not practically determinable are as follows:

		Millions of Yen	
Classification		As of March 31, 2017	As of March 31, 2018
Held-to-maturity debt securities		—	—
Unlisted foreign bonds		—	—
Others		—	—
Policy-reserve-matching bonds		—	—
Investments in subsidiaries and affiliated companies		604,907	612,315
Available-for-sale securities		369,119	309,293
Unlisted domestic stocks (excluding over-the-counter stocks)		15,701	13,620
Unlisted foreign stocks (excluding over-the-counter stocks)		351,558	293,558
Unlisted foreign bonds		—	—
Others		1,859	2,114
Total		974,026	921,609

2. Fair Value Information of Money-Held-in Trust (Company Total)

a. Money-held-in trusts for trading

Omitted as there are no ending balances for March 31, 2017 and 2018.

b. Money-held-in trusts except for trading

Omitted as there are no ending balances for March 31, 2017 and 2018.

3. Fair Value Information of Derivative Transactions (Company Total)

a. Qualitative information

●Transactions details

The Company utilizes derivative instruments shown below according to its asset management policy and specific nature of individual funds it manages.

	Exchange-traded transactions	Over-the-counter transactions
Interest-rate derivative instruments	—	Interest rate swaps, interest rate swaptions
Foreign currency derivative instruments	—	Foreign currency forward contracts, currency swaps, currency options
Stock derivative instruments	Stock index futures, stock index options	Individual stock options, stock index options, stock index forwards
Bond derivative instruments	Bond futures, bond futures options	Cash bond options

●Policy

The Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities held by the Company.

It makes a rule not to enter into derivatives transactions that are not consistent with the specific nature of funds it manages (for example, trading of highly-leveraged financial instruments whose fair values widely fluctuate in comparison with those of their underlying assets).

●Purpose

The Company engages in hedge transactions in order to mitigate the foreign currency risk associated with assets denominated in foreign currencies. It also conducts derivative transactions with the view of containing the risk associated with the aforementioned assets within predefined limits.

The Company applies hedge accounting to derivative transactions that satisfy the requirements for hedge accounting.

●Risk details

The derivative transactions the Company conducts involve, as in the case with cash assets, market risk and credit risk.

(1) Market risk

This risk is associated with a fluctuation in the value of portfolios or positions held by the Company primarily caused by the fluctuation in the market for interest rates, stock prices, currency exchange rates as well as a change in cash flows.

(2) Credit risk

This risk is associated with a fluctuation in the value of portfolios or positions held by the Company due to changes in borrowers' credit standings. (This risk also encompasses a risk that the Company will be unable to gain the expected economic effects from its positions due to the default by counterparties of derivative transactions.)

●Risk management system

(1) Basic policy on risk management

The Company's basic risk management policy is designed to prevent risks from materializing by ensuring the effective deployment of derivative transactions with respect to the Company's assets and liabilities, as well as periodically monitoring whether relevant departments are in compliance with investment project-specific asset management policies, management rules and reporting systems.

(2) Risk management department

The Company has an investment risk management department, independent of profit-earning departments, which controls and monitors the risk status concerning derivative transactions along with their underlying assets, such as stocks and bonds.

(3) Risk management rules

"Investment Risk management Policy" and "Regulations for Investment Risk Management" prescribe, among others, the purpose of utilizing derivative transactions, underlying hedged items and the risk management system. In addition, each department including the asset management department is governed by individual detailed risk management rules to conform to their roles.

(4) Risk management

Where derivatives are designated as part of a hedge transaction, the Company intends to understand, analyze and control the integrated quantitative risks involved in these hedging instruments and their hedged items as underlying assets.

When the Company enters into derivative transactions that are not for hedging, it sets the maximum trading value and acceptable risk levels as well as loss-cut rules, with the aim of managing positions, risk status and gains or losses related to these transactions.

●Supplementary explanation of quantitative information

(1) Credit risk status associated with derivative transactions

Where contracts with counterparties provide the rights to set off claims and obligations in the event of default by them, the Company computes the amount of credit risk associated with these derivative contracts using the net- amount based current exposure method, taking account of the credit lines extended to the relevant counterparties.

(2) Supplementary explanation of transaction gains and losses

The Company enters into hedge contracts after it has clarified the reciprocal interdependence between hedging instruments and hedged items. Therefore, gains and losses arising from derivative transactions (deployed as a means of hedging) should be recognized in combination with gains and losses arising from underlying assets and liabilities, rather than recognizing gains and losses from derivative transactions alone.

It thus manages and controls hedging instruments and underlying hedged items as single units, with an eye to evaluating the hedging effects of mitigating the risks associated with fluctuations of foreign exchange rates, interest rates, etc.

Status of credit risk associated with derivative transactions

Hundred Million Yen

	Contract value / Notional amount		Estimated amount of credit risk	
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
Interest rate swaps				
Interest rate swaptions (Bought)	2,188	803	6	6
Foreign currency forward contracts	63,154	74,670	1,131	3,082
Currency swaps				
Currency options (Bought)	3,080	4,129	440	518
Stock options (Bought)				
Stock index forwards	—	—	—	—
Total			530	2,939

(Notes) 1. The contract value and notional amount are employed as the basis for calculation, in order to determine the amount of transaction and should not be construed as an indicator of the amount of risk.

2. The estimated amount of credit risk associated with each category of derivative transactions was calculated using the gross amount-based current exposure method without taking account of the credit lines of counterparties extended to the Company, therefore, the aggregate sum of these amounts does not match the total in the table, which was calculated based on the net amount-based current exposure method.

b. Quantitative information

● Breakdown of net gains (losses) (with and without hedge accounting applied)

Millions of Yen

Classification	As of March 31, 2017						As of March 31, 2018					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	268	(254,479)	—	—	—	(254,210)	701	169,860	—	—	—	170,561
Hedge accounting not applied	(630)	(21,230)	1,421	—	—	(20,440)	—	9,851	(0)	—	—	9,851
Total	(361)	(275,710)	1,421	—	—	(274,650)	701	179,712	(0)	—	—	180,413

(Note) Net gains (losses) from applying the fair value hedge included in gains and losses on hedge accounting applied, and net gains (losses) included in gain and loss of hedge accounting not applied are recorded on the statements of income. Net gains (losses) from applying the fair value hedge was loss of ¥255,228 million and gains of ¥180,238 million in currency-related as of March 31, 2017 and 2018, respectively.

● Interest-related

(Hedge accounting not applied)

Millions of Yen

Classification	Type	As of March 31, 2017			As of March 31, 2018		
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)
		Over 1 year	Fair value		Over 1 year	Fair value	
Over-the-counter transactions	Interest rate swaptions						
	Bought						
	Receipts floating, payments fixed	170,000	—				
		[635]	4	(630)	[—]	—	—
Total				(630)			—

(Notes) 1. Option fees are shown in [].

2. Net gains (losses) represent the differences between the option fees and the fair values for interest rate swaptions.

(Hedge accounting applied)

Millions of Yen

Hedge accounting model	Type	Main hedged items	As of March 31, 2017			As of March 31, 2018		
			Notional amount/ contract value		Fair value	Notional amount/ contract value		Fair value
			Over 1 year	Fair value		Over 1 year	Fair value	
Deferred hedge method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	15,000	15,000	(119)	15,000	15,000	(79)
Exceptional method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	33,828	17,520	388	17,520	14,236	119
	Receipts floating, payments fixed		—	—	—	47,808	47,808	660
Total					268			701

●Currency-related

(Hedge accounting not applied)

Millions of Yen

Classification	Type	As of March 31, 2017			As of March 31, 2018				
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)		
		Over 1 year	Fair value		Over 1 year	Fair value			
Over-the-counter transactions	Foreign currency forward contracts								
	Sold	298,747	818	(15,806)	(15,806)	333,609	—	13,762	13,762
	(Australian dollar)	187,661	—	(14,281)	(14,281)	214,582	—	11,972	11,972
	(U.S. dollar)	66,485	818	(1,977)	(1,977)	89,636	—	1,886	1,886
	(Euro)	40,713	—	438	438	21,527	—	(55)	(55)
	Bought	533,720	—	(5,205)	(5,205)	276,116	—	(3,911)	(3,911)
	(U.S. dollar)	532,305	—	(5,204)	(5,204)	171,648	—	(3,618)	(3,618)
	(Euro)	1,078	—	(1)	(1)	53,012	—	(325)	(325)
	(Australian dollar)	149	—	149	0	51,245	—	32	32
	Currency options								
	Bought								
	Put	54,750	—			—	—		
	(U.S. dollar)	[397]	—	177	(219)	[—]	—	—	—
		54,750	—			—	—		
		[397]	—	177	(219)	[—]	—	—	—
Total					(21,230)				9,851

(Notes) 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.

(Hedge accounting applied)

Millions of Yen

Hedge accounting model	Type	Main hedged items	As of March 31, 2017			As of March 31, 2018		
			Notional amount/ contract value		Fair value	Notional amount/ contract value		Fair value
			Over 1 year	Fair value		Over 1 year	Fair value	
Fair value hedge method	Foreign currency forward contracts	Assets denominated in foreign currencies						
	Sold		5,424,477	320,453	(255,228)	6,803,557	187,916	180,238
	(U.S. dollar)		3,227,455	233,066	(140,801)	3,704,596	127,932	141,139
	(Euro)		1,146,493	—	(6,205)	1,821,424	—	9,954
	(Australian dollar)		868,089	87,387	(101,535)	981,860	59,984	23,450
Deferred hedge method	Currency swaps	Assets denominated in foreign currencies	26,780	26,780	(574)	26,780	26,780	615
	(U.S. dollar)		24,326	24,326	(614)	24,326	24,326	808
	(Euro)		2,454	2,454	40	2,454	2,454	(193)
Allocation method	Foreign currency forward contracts	Assets denominated in foreign currencies						
	Sold		58,502	55,505	(20,963)	53,778	—	(18,082)
	(Australian dollar)		55,505	55,505	(20,033)	53,778	—	(18,082)
	(U.S. dollar)		2,996	—	(929)	—	—	—
	Currency swaps	Assets denominated in foreign currencies	127,077	127,077	6,470	141,197	141,197	12,310
	(U.S. dollar)		127,077	127,077	6,470	141,197	141,197	12,310
	Currency swaps	Liabilities denominated in foreign currencies	99,480	99,480	15,816	244,924	244,924	(5,221)
	(U.S. dollar)		99,480	99,480	15,816	244,924	244,924	(5,221)
Total					(254,479)			169,860

●Stock-related (Hedge accounting not applied)

Millions of Yen

Classification	Type	As of March 31, 2017				As of March 31, 2018			
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)		
		Over 1 year	Fair value		Over 1 year	Fair value			
Exchange-traded transactions	Stock index futures								
	Sold	100,015	—	1,763	1,763	9,758	—	(231)	(231)
	Bought	23,952	—	(342)	(342)	10,903	—	231	231
Total					1,421				(0)

(Note) Net gains (losses) represent the fair values.

(Hedge accounting applied)

Omitted as there are no ending balances for March 31, 2017 and 2018.

●Bond-related

(Hedge accounting not applied)

Omitted as there are no ending balances for March 31, 2017 and 2018.

(Hedge accounting applied)

Omitted as there are no ending balances for March 31, 2017 and 2018.

Assets

1. Portfolio Trends (General Account)

a. Asset structure

Classification	Millions of Yen, %			
	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Cash, deposits and call loans	1,007,015	3.5	1,443,490	4.7
Monetary claims bought	230,518	0.8	283,252	0.9
Investment in securities	23,614,509	82.0	24,902,898	81.5
Domestic bonds	12,961,892	45.0	13,043,393	42.7
Domestic stocks	1,700,608	5.9	1,933,967	6.3
Foreign securities	8,809,343	30.6	9,864,763	32.3
Foreign bonds	7,839,217	27.2	8,800,982	28.8
Other foreign securities	970,125	3.4	1,063,780	3.5
Other securities	142,666	0.5	60,773	0.2
Loans	2,972,689	10.3	2,781,305	9.1
Policy loans	303,290	1.1	294,742	1.0
Industrial and consumer loans	2,669,398	9.3	2,486,563	8.1
Real estate	578,811	2.0	571,641	1.9
Investment property	401,966	1.4	388,745	1.3
Deferred tax assets	124,609	0.4	154,714	0.5
Other assets	277,239	1.0	425,958	1.4
Allowance for possible loan losses	(1,132)	(0.0)	(921)	(0.0)
Total	28,804,261	100.0	30,562,340	100.0
Foreign currency denominated assets	7,367,770	25.6	9,252,661	30.3

(Note) The total amount of land, buildings and construction in progress has been recorded as "Real estate."

b. Increase (decrease) in assets

Classification	Millions of Yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Amount	Amount
Cash, deposits and call loans	558,154	436,474
Monetary claims bought	24,216	52,733
Investment in securities	1,550,550	1,288,388
Domestic bonds	(20,932)	81,501
Domestic stocks	262,110	233,359
Foreign securities	1,209,055	1,055,420
Foreign bonds	1,161,506	961,764
Other foreign securities	47,549	93,655
Other securities	100,316	(81,892)
Loans	776,213	(191,383)
Policy loans	(11,363)	(8,548)
Industrial and consumer loans	787,576	(182,834)
Real estate	(35,557)	(7,169)
Investment property	(27,169)	(13,220)
Deferred tax assets	49,287	30,104
Other assets	(73,779)	148,718
Allowance for possible loan losses	370	211
Total	2,849,455	1,758,078
Foreign currency denominated assets	1,641,964	1,884,891

(Note) The total amount of land, buildings and construction in progress has been recorded as "Real estate."

2. Investment Yield by Asset (General Account)

Classification	%	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash, deposits and call loans	1.75	(3.18)
Monetary claims bought	1.74	1.24
Investment in securities	2.10	2.02
Domestic bonds	2.35	2.10
Domestic stocks	2.04	3.92
Foreign securities	1.73	1.58
Foreign bonds	1.48	1.50
Other foreign securities	3.78	2.21
Loans	1.64	1.04
Industrial and consumer loans	1.23	0.69
Real estate	2.84	2.98
Investment property	4.06	4.31
Total	1.98	1.80
Overseas investments	1.72	1.51

(Notes) 1. Investment yield is calculated by dividing investment income less investment expenses by the daily average book value balance.

2. In the calculation of yield, gains or losses on derivatives are included in investment income or expenses.

3. Overseas investments represent the sum of assets denominated in foreign currencies and Japanese yen.

3. Average Balance of Primary Assets (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Amount	Share	Amount	Share
Cash, deposits and call loans	520,110		879,218	
Monetary claims bought	200,969		253,515	
Investment in securities	22,252,131		23,437,082	
Domestic bonds	12,988,282		12,981,196	
Domestic stocks	894,218		923,070	
Foreign securities	8,299,759		9,438,824	
Foreign bonds	7,390,901		8,441,886	
Other foreign securities	908,857		996,937	
Loans	2,323,316		3,055,234	
Industrial and consumer loans	2,010,165		2,752,780	
Real estate	616,074		580,194	
Investment property	431,673		401,404	
Total	26,557,749		29,081,309	
Overseas investments	8,781,305		10,477,811	

4. Proprietary Trading Securities (General Account)

Proprietary trading securities are not handled.

5. Trading Volume of Proprietary Trading Securities (General Account)

Proprietary trading securities are not handled.

6. Securities (General Account)

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
National government bonds	9,903,340	41.9	9,862,813	39.6
Local government bonds	104,870	0.4	114,815	0.5
Corporate bonds	2,953,682	12.5	3,065,764	12.3
Public entity bonds	1,767,880	7.5	1,860,806	7.5
Foreign-currency-denominated bonds	348,744	1.5	470,359	1.9
Domestic stocks	1,700,608	7.2	1,933,967	7.8
Foreign securities	8,809,343	37.3	9,864,763	39.6
Foreign bonds	7,839,217	33.2	8,800,982	35.3
Foreign-currency-denominated bonds	6,181,041	26.2	7,193,755	28.9
Other foreign securities	970,125	4.1	1,063,780	4.3
Foreign-currency-denominated other securities	649,857	2.8	760,731	3.1
Other securities	142,666	0.6	60,773	0.2
Total	23,614,509	100.0	24,902,898	100.0
Foreign-currency-denominated securities	7,179,643	30.4	8,424,846	33.8

7. Securities by Maturity Date (General Account)

(As of March 31, 2017)

Millions of Yen

Classification	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	No fixed maturity	Total
Investment in securities	635,300	1,063,020	1,263,507	1,351,573	3,804,468	12,428,073	3,068,565	23,614,509
National government bonds	61,605	147,363	338,358	294,967	928,252	8,132,793	—	9,903,340
Local government bonds	907	5,033	—	2,760	6,029	90,138	—	104,870
Corporate bonds	141,269	152,939	133,890	219,351	551,635	1,497,262	257,332	2,953,682
Domestic stocks	—	—	—	—	—	—	1,700,608	1,700,608
Foreign securities	431,518	757,683	791,132	834,494	2,318,400	2,707,878	968,234	8,809,343
Foreign bonds	431,498	755,860	791,132	834,494	2,318,352	2,707,878	—	7,839,217
Other foreign securities	19	1,823	—	—	47	—	968,234	970,125
Other securities	—	—	125	—	151	—	142,389	142,666
Monetary claims bought	38,989	—	—	—	—	157,821	—	196,810
Negotiable certificates of deposit	609,980	—	—	—	—	—	—	609,980
Others	—	—	—	—	—	—	—	—
Total	1,284,271	1,063,020	1,263,507	1,351,573	3,804,468	12,585,894	3,068,565	24,421,301

(As of March 31, 2018)

Millions of Yen

Classification	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	No fixed maturity	Total
Investment in securities	571,195	1,153,941	1,238,355	1,475,808	4,024,827	13,070,536	3,368,234	24,902,898
National government bonds	73,552	209,487	413,259	201,868	1,232,610	7,732,035	—	9,862,813
Local government bonds	999	4,018	—	8,800	—	100,996	—	114,815
Corporate bonds	95,756	101,971	163,269	280,749	562,395	1,545,798	315,824	3,065,764
Domestic stocks	—	—	—	—	—	—	1,933,967	1,933,967
Foreign securities	400,886	838,464	661,546	984,390	2,229,620	3,691,705	1,058,149	9,864,763
Foreign bonds	400,868	835,276	661,546	984,390	2,229,102	3,689,798	—	8,800,982
Other foreign securities	18	3,187	—	—	518	1,906	1,058,149	1,063,780
Other securities	—	—	279	—	200	—	60,293	60,773
Monetary claims bought	48,986	—	—	—	—	160,506	—	209,492
Negotiable certificates of deposit	441,084	—	—	—	—	—	—	441,084
Others	—	—	—	—	—	—	—	—
Total	1,061,266	1,153,941	1,238,355	1,475,808	4,024,827	13,231,042	3,368,234	25,553,476

(Note) The above table includes items deemed appropriate to be handled as securities under the Financial Instruments and Exchange Act in Japan.

8. Local Government Bonds by Region (General Account)

Millions of Yen

Classification	As of March 31, 2017	As of March 31, 2018
Hokkaido	—	—
Tohoku	—	—
Kanto	53,422	58,621
Chubu	22,822	25,485
Kinki	14,822	14,746
Chugoku	117	116
Shikoku	—	—
Kyushu	13,685	15,846
Total	104,870	114,815

9. Bonds Yields (General Account)

%

Classification	As of March 31, 2017	As of March 31, 2018
Domestic bonds	1.80	1.77
Foreign bonds	3.20	3.05

10. Domestic Stocks by Industry (General Account)

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Fishery, agriculture and forestry	302	0.0	308	0.0
Mining	79	0.0	92	0.0
Construction	62,234	3.7	72,850	3.8
Manufacturing				
Food	67,945	4.0	75,310	3.9
Textiles and apparel	9,311	0.5	11,749	0.6
Pulp and paper	6,155	0.4	8,191	0.4
Chemicals	182,944	10.8	218,401	11.3
Pharmaceuticals	142,575	8.4	145,839	7.5
Oil and coal products	6,585	0.4	7,701	0.4
Rubber products	7,033	0.4	7,122	0.4
Glass and ceramic products	22,145	1.3	25,171	1.3
Iron and steel	25,425	1.5	23,762	1.2
Nonferrous metals	44,924	2.6	46,562	2.4
Metal products	10,221	0.6	11,161	0.6
Machinery	126,281	7.4	141,436	7.3
Electric appliances	205,226	12.1	249,618	12.9
Transportation equipment	50,511	3.0	58,865	3.0
Precision instruments	8,558	0.5	12,785	0.7
Other products	39,815	2.3	53,876	2.8
Electric power and gas	31,689	1.9	31,505	1.6
Transportation, information and communication				
Land transportation	141,161	8.3	174,378	9.0
Marine transportation	4,066	0.2	3,439	0.2
Air transportation	4,266	0.3	5,127	0.3
Warehousing and harbor transportation services	8,385	0.5	8,905	0.5
Information and communication	14,197	0.8	19,328	1.0
Trade and services				
Wholesale trade	95,117	5.6	114,684	5.9
Retail trade	26,204	1.5	32,031	1.7
Finance and insurance				
Banking	181,968	10.7	179,268	9.3
Securities and trading	7,117	0.4	6,823	0.4
Insurance	105,388	6.2	109,985	5.7
Other financial services	3,459	0.2	4,554	0.2
Real estate	18,326	1.1	25,639	1.3
Services	40,978	2.4	47,485	2.5
Total	1,700,608	100.0	1,933,967	100.0

(Note) Classification is based on the "Sector classification table" by the "Securities Identification Code Committee."

11. Fair Value Information of Securities (General Account)

a. Net valuation gains (losses) on trading securities

Millions of Yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Balance sheet amount	Net valuation gains (losses) included in statement of income	Balance sheet amount	Net valuation gains (losses) included in statement of income
Trading securities			395	(5)

(Note) Although the above table includes securities in "money-held-in-trusts for trading purposes," there were no applicable amounts for March 31, 2017 and 2018.

b. Fair value information of securities

●Fair value information of securities (with fair value except for trading securities)

Millions of Yen

Classification	As of March 31, 2017					As of March 31, 2018				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	1,942,014	2,303,448	361,434	361,434	—	1,888,273	2,202,331	314,058	314,058	(0)
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623	2,023,431	(55,808)	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)
Investments in subsidiaries and affiliated companies	33,173	35,754	2,580	2,580	—	33,173	53,967	20,793	20,793	—
Available-for-sale securities	9,405,982	10,375,805	969,822	1,103,170	(133,348)	10,436,630	11,493,745	1,057,115	1,228,009	(170,894)
Domestic bonds	1,484,122	1,562,503	78,381	83,050	(4,668)	1,649,259	1,714,504	65,245	82,711	(17,466)
Domestic stocks	784,201	1,584,632	800,430	808,738	(8,307)	838,599	1,812,663	974,063	986,723	(12,659)
Foreign securities	6,209,300	6,281,051	71,751	190,963	(119,211)	7,260,364	7,257,270	(3,094)	137,507	(140,601)
Foreign bonds	6,136,882	6,207,918	71,036	190,150	(119,114)	7,039,984	7,034,408	(5,576)	134,670	(140,246)
Other foreign securities	72,417	73,132	714	812	(97)	220,380	222,862	2,482	2,837	(355)
Other securities	127,421	140,826	13,404	14,070	(665)	44,983	58,729	13,746	13,806	(60)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	202,323	209,492	7,169	7,261	(92)
Negotiable certificates of deposit	610,000	609,980	(19)	—	(19)	441,100	441,084	(15)	—	(15)
Others	—	—	—	—	—	—	—	—	—	—
Total	22,469,844	25,771,305	3,301,461	3,490,618	(189,156)	23,564,872	26,906,692	3,341,819	3,557,971	(216,152)
Domestic bonds	12,883,510	14,958,180	2,074,669	2,134,598	(59,928)	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)
Domestic stocks	784,201	1,584,632	800,430	808,738	(8,307)	838,599	1,812,663	974,063	986,723	(12,659)
Foreign securities	7,873,773	8,280,876	407,102	526,862	(119,760)	9,059,717	9,360,895	301,178	446,843	(145,665)
Foreign bonds	7,768,181	8,171,988	403,806	523,468	(119,662)	8,806,163	9,084,066	277,902	423,212	(145,309)
Other foreign securities	105,591	108,887	3,295	3,393	(97)	253,554	276,829	23,275	23,631	(355)
Other securities	127,421	140,826	13,404	14,070	(665)	44,983	58,729	13,746	13,806	(60)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	202,323	209,492	7,169	7,261	(92)
Negotiable certificates of deposit	610,000	609,980	(19)	—	(19)	441,100	441,084	(15)	—	(15)
Others	—	—	—	—	—	—	—	—	—	—

(Note) The above table includes items deemed appropriate to be handled as securities under the Financial Instruments and Exchange Act in Japan.

Book values of securities whose fair value is not practically determinable are as follows:

Millions of Yen

Classification	As of March 31, 2017	As of March 31, 2018
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliated companies	604,907	612,315
Available-for-sale securities	369,119	309,293
Unlisted domestic stocks (excluding over-the-counter stocks)	15,701	13,620
Unlisted foreign stocks (excluding over-the-counter stocks)	351,558	293,558
Unlisted foreign bonds	—	—
Others	1,859	2,114
Total	974,026	921,609

Policy-reserve-matching bonds

- In order to appropriately manage fluctuations in the fair value of assets and liabilities due to fluctuations in interest rates, the Company has identified the following types of insurance policies (subsections), 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, and has designated the holding category of the corresponding yen-denominated bonds as "Policy-reserve-matching bonds"
 - LIVE ONE (Primary policy of 3-year variable accumulation rate insurance, etc. with guaranteed minimum interest rates)
 - Single premium endowment insurance (excluding certain types)
 - Interest rate variable whole life insurance (single premium) (increasing whole life insurance with assumed interest rate variable and a 5 yearly payment of dividend of interest gains (single premium), etc.)
 - Individual life insurance and individual annuity (excluding certain types of insurance)
 - Whole life insurance denominated in designated currency (single premium) denominated in U.S. dollars
 - Whole life insurance denominated in designated currency (single premium) denominated in Australian dollars
 - Defined contribution pension plans and interest rate-setting rider by new unit account
 - Policy reserves for cash flows expected within the next 30 years for contracts including defined benefit corporate pension plan (02), and new corporate pension plan (excluding interest rate-setting rider by unit account and interest rate-setting rider by new unit account)
 - Policy reserves for cash flows expected within the next 30 years for insured contributory pension plans
- The Company periodically verifies that the duration (the extent of fair value fluctuations against fluctuations in interest rates) of the policy reserves of each insurance in these subsections coincides with the duration of the corresponding policy-reserve-matching bonds within a certain range.

c. Fair value information of money-held-in trust for trading

●Money-held-in trusts for trading

Omitted as there are no ending balances for March 31, 2017 and 2018.

●Money-held-in trusts except for trading

Omitted as there are no ending balances for March 31, 2017 and 2018.

(Reference)

In terms of "securities whose fair value is not practically determinable" in the "Accounting Standards for Financial Instruments," fair values including prices which have been calculated on the basis of certain assumptions, are as below:

Millions of Yen

Classification	As of March 31, 2017					As of March 31, 2018				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	1,942,014	2,303,448	361,434	361,434	—	1,888,273	2,202,331	314,058	314,058	(0)
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623	2,023,431	(55,808)	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)
Investments in subsidiaries and affiliated companies	638,081	589,427	(48,653)	2,580	(51,234)	645,489	590,344	(55,144)	20,793	(75,938)
Available-for-sale securities	9,775,102	10,752,532	977,430	1,110,778	(133,348)	10,745,924	11,812,522	1,066,598	1,237,549	(170,951)
Domestic bonds	1,484,122	1,562,503	78,381	83,050	(4,668)	1,649,259	1,714,504	65,245	82,711	(17,466)
Domestic stocks	799,902	1,600,333	800,430	808,738	(8,307)	852,220	1,826,284	974,063	986,723	(12,659)
Foreign securities	6,560,879	6,640,237	79,358	198,570	(119,212)	7,553,943	7,560,382	6,439	147,042	(140,603)
Foreign bonds	6,136,882	6,207,918	71,036	190,150	(119,114)	7,039,984	7,034,408	(5,576)	134,670	(140,246)
Other foreign securities	423,996	432,318	8,322	8,420	(98)	513,958	525,974	12,015	12,372	(356)
Other securities	129,261	142,666	13,405	14,070	(665)	47,077	60,773	13,695	13,811	(115)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	202,323	209,492	7,169	7,261	(92)
Negotiable certificates of deposit	610,000	609,980	(19)	—	(19)	441,100	441,084	(15)	—	(15)
Others	—	—	—	—	—	—	—	—	—	—
Total	23,443,871	26,701,705	3,257,834	3,498,226	(240,392)	24,486,482	27,761,846	3,275,363	3,567,511	(292,147)
Domestic bonds	12,883,510	14,958,180	2,074,669	2,134,598	(59,928)	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)
Domestic stocks	900,177	1,700,608	800,430	808,738	(8,307)	959,903	1,933,967	974,063	986,723	(12,659)
Foreign securities	8,729,984	9,093,459	363,474	534,470	(170,995)	9,857,928	10,092,702	234,773	456,378	(221,604)
Foreign bonds	7,768,181	8,171,988	403,806	523,468	(119,662)	8,806,163	9,084,066	277,902	423,212	(145,309)
Other foreign securities	961,803	921,471	(40,331)	11,001	(51,332)	1,051,765	1,008,636	(43,129)	33,165	(76,295)
Other securities	129,261	142,666	13,405	14,070	(665)	47,077	60,773	13,695	13,811	(115)
Monetary claims bought	190,936	196,810	5,874	6,349	(475)	202,323	209,492	7,169	7,261	(92)
Negotiable certificates of deposit	610,000	609,980	(19)	—	(19)	441,100	441,084	(15)	—	(15)
Others	—	—	—	—	—	—	—	—	—	—

(Notes) 1. The above table includes items deemed appropriate to be handled as securities under the Financial Instruments and Exchange Act in Japan.

2. The difference between the net losses of securities with fair value and the net losses in this table was loss of ¥43,627 million and loss of ¥66,455 million as of March 31, 2017 and 2018, respectively.

Net gains (losses) on real estate (Land/leasehold)

Millions of Yen

Classification	As of March 31, 2017	As of March 31, 2018
Net gains (losses) on real estate	59,120	107,877

(Note) The fair value of land is calculated using the appraisal value based on appraisals by qualified real estate appraisers or the publicly announced appraisal value with certain adjustments.

d. Fair value information of derivative transactions (total of hedge accounting applied/not applied)

●Breakdown of net gains (losses) (with and without hedge accounting applied)

Millions of Yen

Classification	As of March 31, 2017						As of March 31, 2018					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	268	(254,479)	—	—	—	(254,210)	701	169,860	—	—	—	170,561
Hedge accounting not applied	(630)	(21,547)	1,741	—	—	(20,437)	—	9,956	—	—	—	9,956
Total	(361)	(276,026)	1,741	—	—	(274,647)	701	179,816	—	—	—	180,518

(Note) Net gains (losses) from applying the fair value hedge included in gains and losses on hedge accounting applied, and net gains (losses) included in gain and loss of hedge accounting not applied are recorded on the statements of income. Net gains (losses) from applying the fair value hedge was loss of ¥255,228 million and gain of ¥180,238 million in currency-related as of March 31, 2017 and 2018, respectively.

●Interest-related

Millions of Yen

Classification	Type	As of March 31, 2017				As of March 31, 2018			
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)		
		Over 1 year	Fair value		Over 1 year	Fair value			
Over-the-counter transactions	Interest rate swaps								
	Receipts fixed, payments floating	48,828	32,520	268	268	32,520	29,236	40	40
	Receipts floating, payments fixed	—	—	—	—	47,808	47,808	660	660
	Interest rate swaptions								
	Bought								
	Receipts floating, payments fixed	170,000	—	—	—	—	—	—	—
		[635]		4	(630)	[—]			
Total					(361)				701

(Notes) 1. Option fees are shown in [].

2. Net gains (losses) represent the fair values for interest rate swaps and the differences between the option fees and the fair values for interest rate swaptions.

(Reference) Details of interest rate swaps

Millions of Yen, %

Classification	As of March 31, 2018						
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Notional amount (receipts fixed, payments floating)	3,283	14,091	4,110	11,035	—	—	32,520
Average fixed rate (receipt)	0.56	0.64	1.43	1.20	—	—	0.92
Average floating rate (payment)	0.22	0.20	1.43	1.16	—	—	0.68
Notional amount (payments fixed, receipts floating)	—	47,808	—	—	—	—	47,808
Average fixed rate (payment)	—	2.68	—	—	—	—	2.68
Average floating rate (receipt)	—	2.35	—	—	—	—	2.35

●Currency-related

Millions of Yen

Classification	Type	As of March 31, 2017				As of March 31, 2018			
		Notional amount/ contract value		Net gains (losses)		Notional amount/ contract value		Net gains (losses)	
		Over 1 year	Fair value			Over 1 year	Fair value		
Over-the-counter transactions	Foreign currency forward contracts								
	Sold	5,685,242	321,272	(271,315)	(271,315)	7,090,003	187,916	194,100	194,100
	(U.S. dollar)	3,274,262	233,885	(142,981)	(142,981)	3,773,737	127,932	143,034	143,034
	(Euro)	1,172,994	—	(5,818)	(5,818)	1,822,000	—	9,955	9,955
	(Australian dollar)	1,055,090	87,387	(115,829)	(115,829)	1,195,503	59,984	35,417	35,417
	Bought	527,011	—	(5,240)	(5,240)	273,894	—	(3,905)	(3,905)
	(U.S. dollar)	526,915	—	(5,241)	(5,241)	170,630	—	(3,616)	(3,616)
	(Euro)	—	—	—	—	52,083	—	(321)	(321)
	(Australian dollar)	96	—	0	0	51,180	—	32	32
	Currency options								
	Bought								
	Put	54,750	—			—	—		
		[397]		177	(219)	[—]			
	(U.S. dollar)	54,750	—			—	—		
		[397]		177	(219)	[—]			
	Currency swaps	26,780	26,780	(574)	(574)	26,780	26,780	615	615
	(U.S. dollar)	24,326	24,326	(614)	(614)	24,326	24,326	808	808
	(Euro)	2,454	2,454	40	40	2,454	2,454	(193)	(193)
Total					(277,350)				190,810

(Notes) 1. Option fees are shown in [].

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under foreign currency forward contracts and currency swaps and are reported in yen amounts in the balance sheets, those foreign currency forward contracts and currency swaps are excluded from the table above. Foreign currency forward contracts excluded from disclosure as of March 31, 2017 include the contract sold in Australian dollar with contract value of ¥55,505 million, fair value of ¥(20,033) million and net loss of ¥20,033 million; and the contract sold in U.S. dollar with contract value of ¥2,996 million, fair value of ¥(929) million and net loss of ¥929 million; and those as of March 31, 2018 include the contract sold in Australian dollar with contract value of ¥53,778 million, fair value of ¥(18,082) million and net loss of ¥18,082 million. Currency swaps excluded from disclosure as of March 31, 2017 include contract value in U.S. dollar of ¥226,557 million, fair value of ¥22,286 million and net gain of ¥22,286 million; and those as of March 31, 2018 include contract value in U.S. dollar of ¥386,121 million, fair value of ¥7,089 million and net gain of ¥7,089 million.

3. Net gains (losses) represent the fair values for foreign currency forward contracts as well as swap transactions, and the differences between the option fees and the fair values for option transactions.

●Stock-related

Millions of Yen

Classification	Type	As of March 31, 2017			As of March 31, 2018		
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)
		Over 1 year	Fair value		Over 1 year	Fair value	
Exchange-traded transactions	Stock index futures						
	Sold	98,753	—	1,741	1,741	—	—
Total					1,741		—

(Note) Net gains (losses) represent the fair values.

●Bond-related

Omitted as there are no ending balances for March 31, 2017, and 2018.

12. Loans (General Account)

Millions of Yen

Classification	As of March 31, 2017	As of March 31, 2018
Policy loans	303,290	294,742
Policy holder loans	276,962	269,473
Premium loans	26,328	25,268
Industrial and consumer loans	2,669,398	2,486,563
[Loans to non-residents]	[17,000]	[57,808]
Corporate loans	1,771,558	1,698,260
[Corporate loans - domestic]	[1,769,558]	[1,650,452]
Loans to national, international and government-affiliated organizations	883,368	779,420
Loans to public entities	10,161	5,092
Housing loans	4,259	3,788
Consumer loans	50	1
Other loans	—	—
Total	2,972,689	2,781,305

13. Industrial and Consumer Loans by Maturity Date (General Account)

(As of March 31, 2017)

Millions of Yen

Classification	Within	Over	Over	Over	Over	Over 10	No fixed	Total
	1 year	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	years	maturity	
Floating-rate loans	26,089	17,905	4,635	45,635	10,566	45,263	48,000	198,096
Fixed-rate loans	1,167,484	398,788	236,098	197,393	288,025	183,511	—	2,471,301
Total loans	1,193,573	416,694	240,733	243,029	298,592	228,774	48,000	2,669,398

(As of March 31, 2018)

Millions of Yen

Classification	Within	Over	Over	Over	Over	Over 10	No fixed	Total
	1 year	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	years	maturity	
Floating-rate loans	44,894	62,074	370	26,435	14,423	56,636	40,000	244,834
Fixed-rate loans	971,412	327,292	230,414	181,810	291,888	238,910	—	2,241,728
Total loans	1,016,306	389,366	230,784	208,246	306,311	295,547	40,000	2,486,563

14. Loans to Domestic Companies by Company Size (General Account)

Number of borrowers, Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Number of borrowers	Share	Number of borrowers	Share
Large companies	Number of borrowers	184	178	80.9
	Amount of loans	1,631,211	1,490,559	90.3
Medium-sized companies	Number of borrowers	2	2	0.9
	Amount of loans	3,023	2,821	0.2
Small companies	Number of borrowers	41	40	18.2
	Amount of loans	135,324	157,072	9.5
Total loans to domestic companies	Number of borrowers	227	220	100.0
	Total amount of loans	1,769,558	1,650,452	100.0

(Notes) 1. Classifications are defined as follows:

Company size	1. All industries (excluding 2. - 4.)		2. Retail and restaurants		3. Services		4. Wholesale	
Large companies	More than 300 employees and	Paid-in capital ¥1.0 billion or more	More than 50 employees and	Paid-in capital ¥1.0 billion or more	More than 100 employees and	Paid-in capital ¥1.0 billion or more	More than 100 employees and	Paid-in capital ¥1.0 billion or more
Medium-sized companies		Paid-in capital between ¥0.3 billion and ¥1.0 billion		Paid-in capital between ¥0.05 billion and ¥1.0 billion		Paid-in capital between ¥0.05 billion and ¥1.0 billion		Paid-in capital between ¥0.1 billion and ¥1.0 billion
Small companies	Paid-in capital under ¥0.3 billion or 300 employees or less		Paid-in capital under ¥0.05 billion or 50 employees or less		Paid-in capital under ¥0.05 billion or 100 employees or less		Paid-in capital under ¥0.1 billion or 100 employees or less	

- Number of borrowers is the number of borrowers identified by name and is not the number of loans.
- The number of employees and the amount of paid-in capital are based on information available to the Company at the time of preparation of these materials.
- The services industry comprises the "rental and leasing services," "scientific, professional, and technical services," "lodging," "life-style and leisure," "education and training," "medical and welfare," and "other services."
- Size classifications are based on the classification of size used in the Bank of Japan's "Loans and Bills Discounted and New Loans for Fixed Investment by Sector (by Type of Industry)."

15. Industrial and Consumer Loans by Industry (General Account)

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Domestic	292,492	11.0	249,993	10.1
Manufacturing				
Food	11,369	0.4	13,121	0.5
Textiles and apparel	4,561	0.2	3,130	0.1
Wood, wood products	800	0.0	300	0.0
Pulp and paper	11,950	0.4	12,070	0.5
Printing	—	—	—	—
Chemicals	47,436	1.8	39,234	1.6
Oil and coal products	36,680	1.4	36,430	1.5
Ceramics, soil and stone	9,836	0.4	10,390	0.4
Iron and steel	54,900	2.1	48,600	2.0
Nonferrous metals	6,020	0.2	6,150	0.2
Metal products	—	—	—	—
General purpose, production, and industrial machinery	18,620	0.7	19,532	0.8
Electric appliances	53,918	2.0	36,766	1.5
Transportation equipment	32,722	1.2	20,710	0.8
Other manufacturing products	3,680	0.1	3,560	0.1
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining, quarrying and gravel mining	—	—	—	—
Construction	1,858	0.1	1,606	0.1
Electric power, gas, heat supply and waterworks	262,646	9.8	235,998	9.5
Information and communication	30,600	1.1	29,600	1.2
Logistics and postal services	137,888	5.2	144,435	5.8
Wholesale trade	470,160	17.6	405,750	16.3
Retail trade	6,197	0.2	5,061	0.2
Financing and insurance	333,950	12.5	328,616	13.2
Real estate	127,926	4.8	129,676	5.2
Rental and leasing services	95,129	3.6	109,609	4.4
Scientific, professional, and technical services	—	—	—	—
Lodging	1,000	0.0	1,000	0.0
Restaurants	—	—	—	—
Lifestyle and leisure	—	—	—	—
Education and training	—	—	—	—
Medical and welfare	—	—	—	—
Other services	11,119	0.4	10,176	0.4
Local organizations and public entities	138	0.0	92	0.0
Individuals (residential/consumption/local taxes/other)	4,309	0.2	3,790	0.2
Subtotal	2,652,398	99.4	2,428,755	97.7
Overseas				
Governments and public entities	15,000	0.6	10,000	0.4
Financial institutions	2,000	0.1	47,808	1.9
Commerce and industry	—	—	—	—
Subtotal	17,000	0.6	57,808	2.3
Total loans	2,669,398	100.0	2,486,563	100.0

(Notes) 1. Domestic sectors are based on the industry classifications used in the Bank of Japan's "Loans and Bills Discounted and New Loans for Fixed Investment by Sector (by Type of Industry)."

2. "Subtotal" of domestic loans as well as "total loans" include loans to the Japanese government. (¥876.9 billion as of March 31, 2017; ¥773.3 billion as of March 31, 2018)

16. Loans by Use (General Account)

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Capital investments	311,686	11.7	265,979	10.7
Operations	1,125,186	42.2	1,056,863	42.5

(Note) Share refers to the percentage to industrial and consumer loans.

17. Loans by Region (General Account)

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Hokkaido	12,197	0.5	12,377	0.5
Tohoku	29,000	1.1	22,495	0.9
Kanto	2,190,963	82.7	2,037,240	84.0
Chubu	99,870	3.8	93,501	3.9
Kinki	229,426	8.7	181,935	7.5
Chugoku	35,154	1.3	28,229	1.2
Shikoku	10,100	0.4	10,100	0.4
Kyushu	41,375	1.6	39,085	1.6
Total	2,648,088	100.0	2,424,964	100.0

(Notes) 1. Does not include personal loans, loans related to non-residents and policy loans, etc.

2. Geographical classifications are based on information on head office locations of the borrowers available to the Company as at the time of preparation of these materials.

18. Loans by Collateral (General Account)

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Secured loans	550	0.0	12,724	0.5
Loans secured by securities	460	0.0	350	0.0
Loans secured by real estate, movables and foundations	90	0.0	12,374	0.5
Loans secured by personal guarantees	—	—	—	—
Guarantee loans	35,747	1.3	25,953	1.0
Fiduciary loans	2,628,790	98.5	2,444,095	98.3
Other loans	4,309	0.2	3,790	0.2
Industrial and consumer loans	2,669,398	100.0	2,486,563	100.0
Subordinated loans	185,000	6.9	173,000	7.0

19. Status of Risk-Monitored Loans

Millions of Yen, %

Classification	As of March 31, 2017	As of March 31, 2018
Loans to bankrupt borrowers	—	—
Loans in arrears	877	909
Loans in arrears for three months or longer	0	—
Restructured loans	—	—
Total	877	909
[Percentage of total loans]	[0.03]	[0.03]

(Notes) 1. 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 directly deducted. The amount of loans in arrears directly deducted for the fiscal years ended March 31, 2017 and March 31, 2018 amounted to ¥24 million and ¥22 million, respectively.

2. Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood 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 Items 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).

3. 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.

4. 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.

5. 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.

20. Status of Non-performing Assets According to Borrower's Classification

Classification	Millions of Yen, %	
	As of March 31, 2017	As of March 31, 2018
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	905	938
Substandard loans	0	—
Subtotal	905	938
[Percentage of total]	[0.02]	[0.02]
Normal loans	4,670,964	5,766,956
Total	4,671,870	5,767,895

- (Notes) 1. Bankrupt or quasi-bankrupt loans represent loans or quasi-loans to borrowers who have fallen into bankruptcy due to reasons such as the filing of a petition for the commencement of bankruptcy proceedings, the commencement of reorganization proceedings or the commencement of rehabilitation proceedings.
2. Doubtful loans represent loans with a strong likelihood that the loan principal cannot be recovered or interest cannot be received according to the contract due to the borrower, although not yet in bankruptcy, experiencing difficulties in financial condition and business performance.
3. Substandard loans represent loans that are in arrears for three months or longer and restructured loans. Loans in arrears for three months or longer are loans on which payments of principal or interest are past due over three months from the day following the contractual due date (excluding 1. and 2. in the above notes). Restructured loans represent the loans which have been restructured to provide certain concessions favorable to the borrowers such as 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 or financially rehabilitate such borrowers (excluding 1. and 2. in the above notes and loans in arrears for three months or longer).
4. Normal loans represent loans that do not fall under the classifications in 1. to 3. of the above notes, and where the borrower has no financial or business performance problems.

(Reference) Status of self-assessment of loans

Classification	Hundred million Yen, %			
	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Non-categorized	29,593	99.5	27,740	99.7
Category II	133	0.5	72	0.3
Category III	0	0.0	0	0.0
Category IV	—	—	—	—
Total loans	29,726	100.0	27,813	100.0

- (Notes) 1. ¥0 hundred million each in specific allowance for possible loan losses for loans in Category III were reported as of March 31, 2017 and 2018, respectively.
2. In terms of 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 directly written off. Such amounts were ¥0 hundred million as of March 31, 2017 and 2018, respectively.

(Reference) Status of Allowance for possible loan losses

Classification	Hundred million yen	
	As of March 31, 2017	As of March 31, 2018
Balance of specific allowance for possible loan losses	2	2
Balance of general allowance for possible loan losses	9	7
Total allowance for possible loan losses	11	9

21. Status of Loans in Trust from Contract for Replacement of Loss

Not applicable.

22. Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

Millions of Yen

Items	As of March 31, 2017	As of March 31, 2018
Solvency margin gross amount (A)	3,709,163	4,120,339
Foundation funds and others	958,826	904,581
Reserve for price fluctuation	502,347	656,947
Contingency reserve	333,700	349,400
General allowance for possible loan losses	910	717
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred unrealized gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	879,345	960,726
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	13,363	48,810
Excess of continued Zillmerized reserve	675,390	709,854
Qualifying subordinated debt	354,480	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—
Deduction clause	(80,000)	(80,000)
Others	70,799	69,376
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	897,110	943,293
Insurance risk R ₁	73,512	71,018
Third-sector insurance risk R ₈	55,217	57,901
Risk of assumed yield R ₂	204,386	200,480
Minimum guarantee risk R ₇ *	17,494	3,474
Investment risk R ₃	645,804	709,438
Operational risk R ₄	19,928	20,846
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	826.9%	873.6%

* The standard method is used for the calculation of the amount equivalent to minimum guarantee risk, in accordance with Appendix 6-2 of Ministry of Finance Public Notice No. 50 of 1996.

(Note) The above table was calculated based on Article 130 of the Insurance Business Act, Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

●Solvency margin ratio

The “solvency margin” refers to the “amount of surplus capacity available to make payments” to cover its liabilities when risks that could not normally be anticipated, such as a massive earthquake or a stock market collapse, have materialized.

The solvency margin ratio is a percentage of “solvency margin gross amount” to the portion of “quantified total amount of risk” exceeding the quantified amount of risks that could normally be anticipated; it is one of the indicators to gauge the insurer’s ability to cover liabilities when unforeseen events occur.

When this ratio falls below 200%, an insurance company is subject to administrative intervention by the regulatory agencies to take “prompt corrective action.”

The solvency margin ratio is one of the financial indicators indicating sound business management, however, it should not be solely relied upon to evaluate the business management soundness of an insurance company. The evaluation of sound business management should be made in a comprehensive manner with due consideration of not only the solvency margin ratio but also other business management information such as asset management performance and trends in business results.

●Solvency margin gross amount

Component items of the “solvency margin gross amount” and their statutory grounds are shown below.

Item	Description	Statutory grounds
Foundation funds and others	<p>The amount represents the total net assets after deduction of the total valuation and translation adjustments and the amount to be distributed as an appropriation of surplus (including provisions for policyholders’ dividend reserves) on the balance sheets. Meanwhile, of the items specified in Article 86 Paragraph 1 Item 1 of the Ordinance for Enforcement of the Insurance Business Act, the amounts presented under the assets section of the balance sheets and deferred assets presented under the assets section of the balance sheets pursuant to the provisions set forth in the first sentence of Article 113 of the Insurance Business Act (hereinafter “the Act”) were not applicable.</p> $\text{Foundation funds} = \text{Total net assets on the balance sheets} - \text{Total valuation and translation adjustments} - \text{The amount to be distributed as an appropriation of surplus} - \text{Others (Deferred assets, etc.)}$	Article 86 Paragraph 1 Item 1 of the Ordinance for Enforcement of the Insurance Business Act (hereinafter “the Ordinance”).
Foundation funds (<i>kikin</i>)	<p>Foundation funds (<i>kikin</i>), components of “foundation funds”, are described below. Foundation funds (<i>kikin</i>) are the equivalent to a stock company’s capital. They are collateral assets of a mutual company prescribed by the Act and presented under the net assets section of the balance sheets. Foundation funds (<i>kikin</i>) are redeemed on the due dates and, upon the redemption of principal amount, it is required to provide the reserve for redemption of foundation funds with the amount equal to that. These reserves are served as their retained surplus. For further information on redemption dates for foundation funds (<i>kikin</i>), please refer to “Fund redemption schedule” on page 141.</p>	
Reserve for price fluctuation	<p>The amount represents the value of the reserve for price fluctuation presented on the balance sheets. Insurance companies are required to provide for losses arising from the fluctuations in the prices of stocks and other securities held by them under the provisions of Article 115 Paragraph 1 of the Act. Companies are allowed to reverse the reserve when they need to cover the negative difference stemming from losses on sales of stocks and other securities in excess of gains on sales of stocks and other securities or when they obtain permission from the Commissioner of Financial Services Agency.</p>	Article 86 Paragraph 1 Item 2 of the Ordinance
Contingency reserves	<p>The amount represents the value of contingency reserves, a component of policy reserves presented on the balance sheets. Pursuant to Article 69 Paragraph 1 Item 3 of the Ordinance, insurance companies are required to make provisions for contingency reserves against potential risks (i.e., insurance risk, third-sector insurance risk, risk of assumed yield and minimum guarantee risk) in order to fulfill future obligations that may arise under insurance policies. When there are mortality losses, interest losses and the outstanding balance of minimum guarantee premiums falling below the amount of the minimum guaranteed insurance benefits, insurance companies are allowed to reverse the reserves to cover these losses. Separately, insurance companies may reverse the reserves for other purposes due to unavoidable circumstances concerning their operations, financial conditions, etc. * For the terminology of insurance risk, third-sector insurance risk, risk of assumed yield and minimum guarantee risk, please refer to “Total amount of risk.”</p>	Article 86 Paragraph 1 Item 3 of the Ordinance
General allowance for possible loan losses	<p>The amount represents the value of the general allowance for possible loan losses, a component of the allowance for possible loan losses presented on the balance sheets.</p>	Article 86 Paragraph 1 Item 4 of the Ordinance
Net unrealized gains (losses) on available-for-sale securities / deferred gains (losses) on hedges (before tax effects)	<p>The amount represents the total amount of the figures below before tax effects multiplied by 0.90 in case it is a positive figure and 1.00 in case it is a negative figure. A. Net unrealized gains (losses) on available-for-sale securities on the balance sheets B. Deferred gains (losses) on hedges on the balance sheets (limited to cases where net gains (losses) associated with hedged items are included in net gains (losses) on available-for-sale securities on the balance sheets)</p>	Article 86 Paragraph 1 Item 5 of the Ordinance
Net unrealized gains on real estate	<p>If the difference between the fair value of real estate and its book value is positive, it is multiplied by 85%, if negative, it is multiplied by 100% and the resulting amount is presented. The difference between the fair value and book value of real estate includes the total amount of land revaluation differences presented on the balance sheets and deferred tax liabilities for land revaluation presented on the balance sheets.</p>	Article 86 Paragraph 1 Item 6 of the Ordinance
Excess of continued Zillmerized reserve	<p>With regard to the following A, B and C, the components of policy reserves presented on the balance sheets, the amount represents the value of A after deduction of B and C. A. The total amount of insurance reserve funds and unearned insurance premiums B. Either the following (i) or (ii), whichever is greater. (i) The total amount of insurance reserve funds calculated using the method for amortizing expenses at the conclusion of insurance policies over the premium payment period or similar methods, and unearned insurance premiums. (ii) The amount of payments calculated based on the assumption that insurance policies expired without insurable incidents. C. The necessary amount of additional provisions for insurance reserve funds confirmed by the verification of an appointed actuary pursuant to Article 121 Paragraph 1 of the Act and by other verification measures, estimated based on the assumption that no additional provisions for insurance reserve funds subject to Article 69 Paragraph 5 of the Ordinance have been made.</p>	Article 86 Paragraph 1 Item 7 of the Ordinance and Article 1 Paragraph 4 Item 1 of the Ministry of Finance Public Notice No. 50 of 1996 (hereinafter “the Public Notice No. 50”)

Qualifying subordinated debt	The amount represents the value of qualifying subordinated debt, a component of loans payable presented on the balance sheets, as stated below.	Article 86 Paragraph 1 Item 7 of the Ordinance and Article 1 Paragraph 4 Item 5 of the Public Notice No. 50	
		Millions of Yen	
	Item	As of March 31, 2017	
		As of March 31, 2018	
	The amount of qualifying subordinated debt ((i)+(ii)+(iii))	354,480	499,924
	The amount of the instrument as prescribed in Article 1 Paragraph 4 Item 5-a of the Public Notice No. 50 (i.e. perpetual subordinated debt) (i)	—	—
	The amount of the instrument as prescribed in Article 1 Paragraph 4 Item 5-b of the Public Notice No. 50 (i.e. subordinated debt with maturity dates) (ii)	354,480	499,924
	The amount of exclusion (iii)	—	—
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	The amount represents the excess of the value of the total amount of excess of continued Zillmerized reserve and qualifying subordinated debt (excluding specified qualifying subordinated debt as prescribed in Article 1 Paragraph 6 of the Public Notice No. 50) over the amount of core capacity for the payment of insurance claims (the total amount of foundation funds, reserve for price fluctuation, contingency reserve, the unallocated portion of dividend reserves and net unrealized losses on available-for-sale securities after deduction of the amount of deferred tax assets and the balance of unamortized commission associated with reinsurance contracts as stipulated in Article 1 Paragraph 5 of the Public Notice No. 50 to be excluded).	Article 86 Paragraph 1 Item 7 of the Ordinance and Article 1 Paragraph 5 of the Public Notice No. 50	
Deduction clause	The amount represents the total amount of the following items. A. The amount represents the value of "intentionally held" capital instruments as specified by the general supervisory guidance for insurance companies among all the capital instruments held by the Company issued by other insurance companies and financial institutions. B. The amount represents the balance of unamortized commission associated with reinsurance contracts as stipulated in Article 1-3 of the Public Notice No.50	Article 86 Paragraph 1 Item 7 of the Ordinance and Article 1-2 and 3 of the Public Notice No. 50	
Others	The amount represents the total amount of the following items. A. Exclusion from deferred tax assets. This is an amount equal to the excess of the value of 20% of the base amount for inclusion of deferred tax assets among the total amount of deferred tax assets (excluding the amount related to reserve for price fluctuation, policy reserves and valuation and translation adjustments) as prescribed in Article 1 Paragraph 1 of the Public Notice No. 50. B. Unallocated portion of dividend reserves. The unallocated portion of dividend reserves represents the excess of the value of policyholders' dividend reserves presented on the balance sheets (including policyholders' dividend reserves after deduction of the required amount of dividends for the following year), over the allocated portion as distribution of surplus to policyholders. C. Tax effect amounts. The tax effect amount represents the value of funds that can be sourced mainly from the reversal of voluntary surplus reserves in the expectation that they can be deployed as countermeasures against various risks.	Article 86 Paragraph 1 of the Ordinance and Article 1 Paragraph 4 Items 2 and 3, and Paragraph 7 of the Public Notice No. 50	

●Total amount of risk

Component items of the “total amount of risk” and their statutory grounds are shown below.

Item	Description	Statutory grounds
Insurance risk	The amount represents the value of insurance risk. The insurance risk refers to the “risk of actual insurable incidents occurring with higher frequency than normally anticipated” except for the risk associated with third-sector insurance. Insurance risk comprises the risks associated with death due to illness/accident, risks of pure endowment and other risks.	Article 87 Item 1 of the Ordinance
Third-sector insurance risk	The amount represents the value of third-sector insurance risk. The third-sector insurance risk refers to the “risk of actual insurable incidents occurring with higher frequency than normally anticipated” associated with third-sector insurance. The third-sector insurance risk comprises the risks measured by the stress test, risks associated with death due to accident, risks of hospitalization due to accident, risks of hospitalization due to illness and other risks.	Article 87 Item 1-2 of the Ordinance
Risk of assumed yield	The amount represents the value of risk of assumed yield. The risk of assumed yield refers to the “risk of not being able to secure an assumed yield that serves as the basis for calculating policy reserves.”	Article 87 Item 2 of the Ordinance
Minimum guarantee risk	The amount represents the value of minimum guarantee risk. The minimum guarantee risk is related to insurance policies with separate accounts that guarantee a minimum amount of claims paid. It is defined as the “risk of which the value of assets held in separate accounts fall short of the minimum guaranteed amount of claims paid of said insurance policies at the time of paying the claims paid” and the “risk which arises from greater fluctuations in the value of assets held in separate accounts than could normally be anticipated.”	Article 87 Item 2-2 of the Ordinance
Investment risk	The amount represents the value of investment risk. This investment risk refers to the “risk related to investment activity, which arises from greater fluctuations than normally anticipated in the price of securities and other assets held by the Company.” Investment risk comprises the risks associated with price fluctuations, credit, credit spreads, subsidiaries, derivative transactions, reinsurance and reinsurance claim recovery.	Article 87 Item 3 of the Ordinance
Operational risk	The amount represents the value of operational risk. The operational risk refers to the “risk that occurs in business operations, which is greater than risks normally anticipated. This type of risk does not fall under the category of insurance risk, third-sector insurance risk, risk of assumed yield, minimum guarantee risk or investment risk.”	Article 87 Item 4 of the Ordinance

23. Tangible Fixed Assets

a. Tangible fixed assets

(As of March 31, 2017)

Classification	Millions of Yen, %						
	Beginning balance	Increase in the fiscal year	Decrease in the fiscal year	Depreciation in the fiscal year	Ending balance	Accumulated depreciation	Accumulated depreciation percentage
Land	386,740	1,190	17,898 [280]	—	370,032	—	—
Buildings	226,738	10,968	16,717 [60]	13,112	207,876	387,011	65.0
Lease assets	2,076	—	8	920	1,146	4,538	79.8
Construction in progress	891	3,801	3,789	—	902	—	—
Other tangible fixed assets	3,885	1,388	90	1,285	3,897	23,170	85.6
Total	620,330	17,348	38,504	15,319	583,856	414,720	—

(As of March 31, 2018)

Classification	Millions of Yen, %						
	Beginning balance	Increase in the fiscal year	Decrease in the fiscal year	Depreciation in the fiscal year	Ending balance	Accumulated depreciation	Accumulated depreciation percentage
Land	370,032	21,277	32,269 [3,924]	—	359,040	—	—
Buildings	207,876	11,664	5,653 [2,445]	12,899	200,987	390,225	66.0
Lease assets	1,146	—	4	798	344	3,856	91.7
Construction in progress	902	19,459	8,748	—	11,613	—	—
Other tangible fixed assets	3,897	1,663	28	1,290	4,242	23,741	84.8
Total	583,856	54,065	46,704	14,988	576,228	417,823	—

(Notes) 1. Figures in [] under the "Decrease in the fiscal year" column indicate the amount of decrease due to impairment losses.
2. The balance of investment and rental properties was ¥389,919 million as of March 31, 2018.

b. Amount of real estate and numbers held

Classification	Millions of Yen	
	As of March 31, 2017	As of March 31, 2018
Amount of real estate	578,811	571,641
For business operations	176,845	182,896
For lease	401,966	388,745
Number of buildings held for leasing	103	97

24. Other Assets

(As of March 31, 2017)

Millions of Yen

Type of asset	Acquisition cost	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation	Ending balance
Deferred assets	31,313	39	385	30,356	956
Others	7,767	3	148	5,175	2,591
Total	39,080	43	534	35,532	3,548

(As of March 31, 2018)

Millions of Yen

Type of asset	Acquisition cost	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation	Ending balance
Deferred assets	24,855	29	111	23,981	873
Others	7,579	5	194	5,177	2,402
Total	32,435	34	306	29,159	3,276

25. Status of Public Sector Investment and Loans (General Account)

Millions of Yen

Classification		Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Public bonds	National government bonds	—	—
	Local government bonds	—	—
	Public entity bonds	799	1,332
	Subtotal	799	1,332
Loans	Government-affiliated organizations	878,368	1,761,792
	Local organizations and public entities	—	—
	Subtotal	878,368	1,761,792
Total	879,167	1,763,124	

(Note) Figures in the "Public bonds" and "Loans" columns in the above table indicate the amount of new public-sector investment underwriting and new loans for each fiscal year.

26. Status of Overseas Loans and Investments (General Account)

a. Breakdown by assets composition

● Foreign currency denominated assets

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Foreign bonds	6,529,786	68.3	7,664,115	67.0
Other foreign securities	649,857	6.8	760,731	6.6
Cash, deposits and others	188,126	2.0	827,815	7.2
Net foreign currency denominated assets	7,367,770	77.1	9,252,661	80.9

● Foreign currency denominated assets with fixed yen value

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Loans	127,077	1.3	141,197	1.2
Foreign bonds	56,324	0.6	53,338	0.5
Cash, deposits and others	25,049	0.3	69,972	0.6
Net foreign currency denominated assets with fixed yen value	208,450	2.2	264,508	2.3

(Note) "Foreign currency denominated assets with fixed yen value" are recorded under assets on the balance sheets at the fixed yen value which was determined at the time of settlement through foreign currency forward contracts, etc.

● Yen-denominated assets

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Foreign bonds	1,601,851	16.8	1,553,889	13.6
Other foreign securities	320,268	3.4	312,990	2.7
Loans to non-residents	17,000	0.2	10,000	0.1
Cash, deposits and others	39,752	0.4	49,312	0.4
Net yen-denominated assets	1,978,872	20.7	1,926,192	16.8

● Total

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
Overseas loans and investments	9,555,093	100.0	11,443,362	100.0

b. Overseas loans and investments by geographic area

(As of March 31, 2017)

Millions of Yen, %

Classification	Foreign securities		Foreign bonds		Other foreign securities		Loans to non-residents	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
North America	3,148,957	35.7	2,682,438	34.2	466,519	48.1	—	—
Europe	2,162,077	24.5	2,160,206	27.6	1,871	0.2	12,000	70.6
Oceania	363,939	4.1	363,939	4.6	—	—	—	—
Asia	115,598	1.3	2,144	0.0	113,453	11.7	—	—
Central and South America	2,524,203	28.7	2,135,921	27.2	388,281	40.0	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	3,523	0.0	3,523	0.0	—	—	—	—
International organizations	491,044	5.6	491,044	6.3	—	—	5,000	29.4
Total	8,809,343	100.0	7,839,217	100.0	970,125	100.0	17,000	100.0

(As of March 31, 2018)

Millions of Yen, %

Classification	Foreign securities		Foreign bonds		Other foreign securities		Loans to non-residents	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
North America	3,525,959	35.7	3,054,114	34.7	471,844	44.4	47,808	82.7
Europe	2,763,472	28.0	2,759,766	31.4	3,706	0.3	5,000	8.6
Oceania	420,619	4.3	420,619	4.8	—	—	—	—
Asia	117,521	1.2	2,140	0.0	115,380	10.8	—	—
Central and South America	2,630,390	26.7	2,157,541	24.5	472,849	44.4	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	3,567	0.0	3,567	0.0	—	—	—	—
International organizations	403,232	4.1	403,232	4.6	—	—	5,000	8.6
Total	9,864,763	100.0	8,800,982	100.0	1,063,780	100.0	57,808	100.0

(Notes) 1. This table has been compiled based on the nationality of the issuers.

2. Foreign securities under Central and South America comprise bonds, preferred equity securities or foreign investment trusts, etc., issued by SPCs (Special Purpose Companies) established in Central and South America, and while they are classified under Central and South America according to the nationality of the issuer, they are, in effect, investments in Japan and the North American/European/Asian/Oceania region.

c. Foreign currency dominated assets by currency

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Share	Amount	Share
U.S. dollar	4,686,636	63.6	5,772,976	62.4
Euro	1,157,582	15.7	1,867,816	20.2
Australian dollar	1,221,366	16.6	1,199,622	13.0
New Zealand dollar	115,395	1.6	201,812	2.2
Polish zloty	73,108	1.0	94,996	1.0
Chinese yuan	42,175	0.6	44,106	0.5
Indonesia Rupiah	38,300	0.5	38,116	0.4
Vietnam dong	33,180	0.5	33,190	0.4
Others	24	0.0	23	0.0
Total	7,367,770	100.0	9,252,661	100.0

Liabilities

1. Reserve for Outstanding Claims

Millions of Yen

Classification		As of March 31, 2017	As of March 31, 2018
Claims paid	Mortality insurance claims	50,214	52,821
	Accident insurance claims	862	1,116
	Serious disability insurance claims	4,812	4,324
	Maturity insurance amount	2,020	2,949
	Others	790	541
	Subtotal	58,701	61,752
	Annuity payments	4,421	5,084
	Benefits payments	23,514	23,978
	Surrender benefits	47,730	13,557
	Payments of benefits left to accumulate at interest	5,087	5,652
	Total including other reserves	140,787	111,680

2. Policy Reserves

Millions of Yen

Classification		As of March 31, 2017	As of March 31, 2018
Policy reserves (excluding contingency reserves)	Individual life insurance	13,945,538	14,399,356
	[General account]	[13,882,816]	[14,336,551]
	[Separate account]	[62,721]	[62,805]
	Individual annuities	8,144,049	8,200,566
	[General account]	[7,590,267]	[7,935,899]
	[Separate account]	[553,781]	[264,667]
	Group insurance	16,266	16,136
	[General account]	[16,266]	[16,136]
	[Separate account]	[—]	[—]
	Group annuities	2,565,431	2,624,858
	[General account]	[1,970,058]	[1,982,895]
	[Separate account]	[595,373]	[641,963]
	Others	212,907	210,252
	[General account]	[212,907]	[210,252]
	[Separate account]	[—]	[—]
	Subtotal	24,884,193	25,451,170
	[General account]	[23,672,316]	[24,481,734]
	[Separate account]	[1,211,876]	[969,435]
	Contingency reserves	333,700	349,400
	Total	25,217,893	25,800,570
	[General account]	[24,006,016]	[24,831,134]
	[Separate account]	[1,211,876]	[969,435]

3. Policy Reserve Balance

(As of March 31, 2017)

Millions of Yen

Classification	Insurance reserve funds	Unearned insurance premiums	Refund reserve	Contingency reserves	Total as of March 31, 2017
Balance	22,722,846	2,161,346	—	333,700	25,217,893

(As of March 31, 2018)

Millions of Yen

Classification	Insurance reserve funds	Unearned insurance premiums	Refund reserve	Contingency reserves	Total as of March 31, 2018
Balance	23,348,606	2,102,564	—	349,400	25,800,570

4. Policy Reserves for Individual Life Insurance and Annuities (by Policy Year)

a. Policy reserve valuation method and valuation ratio

Classification		As of March 31, 2017	As of March 31, 2018
Valuation method	Policies applicable to standard policy reserves	The method specified by the Commissioner of Financial Services Agency (Ministry of Finance Public Notice No. 48 of 1996)	The method specified by the Commissioner of Financial Services Agency (Ministry of Finance Public Notice No. 48 of 1996)
	Policies not applicable to standard policy reserves	Net level premium method	Net level premium method
Valuation ratio (excluding contingency reserves)		100.0%	100.0%

(Notes) 1. Individual life insurance and annuities are applicable to valuation method and ratio. The above figures do not include policy reserves for group insurance and annuities, workers' asset-formation insurance and annuities and medical life insurance.

2. For valuation ratio, policies applicable to standard policy reserves represent the ratio in accordance with the method prescribed in the Ministry of Finance Public Notice No. 48 of 1996. Policies not applicable to standard policy reserves represent the ratio for the insurance reserve funds calculated by the net level premium method and unearned insurance premiums.

b. Policy reserve balance (by policy year)

Millions of Yen

Policy year	Policy reserve balance	Assumed rate
- 1980	127,273	4.00% - 5.00%
1981 - 1985	363,356	5.00% - 5.50%
1986 - 1990	2,246,895	5.50%
1991 - 1995	3,170,608	3.75% - 5.50%
1996 - 2000	1,337,520	2.00% - 2.75%
2001 - 2005	1,269,560	1.50%
2006 - 2010	3,547,822	1.00% - 1.50%
2011	1,101,363	1.00% - 1.50%
2012	1,642,715	1.00% - 1.50%
2013	1,106,481	0.50% - 1.00%
2014	1,211,162	0.50% - 1.00%
2015	1,648,475	0.50% - 1.00%
2016	2,211,407	0.25% - 1.00%
2017	1,287,807	0.25% - 3.75%

(Notes) 1. Policy reserve balance represents policy reserves for individual life insurance and annuities, excluding policy reserves for separate accounts and contingency reserves.

2. Assumed rate represents the main assumed rate on policy reserves for each policy year.

5. Reasonableness and Validity of Confirmation of Article 121 Paragraph 1 Item 1 of the Act (Limited to That Relating to Third-Sector Insurance)

○ Method for assuring the appropriateness of the accumulation of policy reserves in the third sector

In light of risk profiles of the third-sector insurances, the Company classifies third-sector insurance policies into groups according to experience assumptions in principle. It verifies the certainty of performance in the payment of insurance claims and other benefits to these groups in the future based on the assumption that future periods will see higher frequency rates of insurable incidents or other negative situations. The verification is conducted in accordance with laws and regulations and if the Company identifies any insufficiency in provisions for policy reserves, it will take necessary steps, such as provisions for contingency reserves or additional policy reserves.

○ Reasonableness and validity of established standards for risk frequency, etc., in the liability adequacy test and stress test

The Company estimates the risk frequency rate based on the claim payment index against anticipated occurrence frequency rate, as well as the trend in the actual results of past insurable incidents frequency rates.

The Company establishes the claim payment indices over the next 10 years for individual contract groups, classified according to experience assumptions in principle, with reference to the trend in the claim payment indices based on the recent results of insurable incidents frequency rates*.

Using the claim payment indices established through the above procedure as a benchmark, the Company computes claim payment indices with a certain level of probability (99% and 97.7%) of covering the risk of fluctuations in the index based on the past results and establishes risk frequency rates which do not fall below the previous year.

*The Company employs the past results that were logged in the period not longer than six months preceding the end of March 2018.

○ Test results

The test verifies the possibility of insufficient reserves by subtracting P from A as explained below.

P: Total amount of benefits over the next 10 years, estimated using the anticipated occurrence frequency rate which is used for the calculation of policy reserves.

A: Total amount of benefits over the next 10 years, estimated using the aforementioned risk frequency rate (at a 99% of chance of covering the risk of fluctuation in the frequency rate).

If A exceeds P, the Company judges there are insufficient reserves.

The table below shows the ratio of A to P with regard to major types of insurance (figures represent the total value over the next 10 years, for the first year and 10th year).

● Results of the stress test (at a 99% of chance of covering the risk of fluctuation in the frequency rate)

	Total over the next 10 years		
		1st year	10th year
All groups total	59.7%	53.8%	64.4%
Of which, the general medical riders group	53.1%	49.5%	57.4%
Of which, the specified severe lifestyle disease coverage group	78.2%	69.4%	93.4%
Of which, the lifestyle disability coverage group	56.9%	35.8%	80.3%

Results of the stress test conducted at the closing of the fiscal year ended March 31, 2018 showed that there were no groups with insufficient reserves.

The balance of insurance reserve funds additionally accumulated and earmarked for part of the third-sector insurances as of March 31, 2018 was ¥7,760 million.

6. Policy Reserve Balance of the General Account Calculation Method and Integers Used as the Basis for Calculations Related to Insurance Policies with Separate Accounts that Guarantee a Minimum Amount of Claims Paid

a. Policy reserve balance (General account)

Millions of Yen

	As of March 31, 2017	As of March 31, 2018
Policy reserve balance (General account)	7,737	1,889

- Notes: 1. Applicable to insurance policies (policies applicable to standard policy reserves) as defined in Article 68 of the Ordinance for Enforcement of the Insurance Business Act.
 2. "Policy reserve balance (General account)" includes the insurance reserve fund related to minimum guarantees.
 3. An amount of ¥1,105 million was deducted at March 31, 2018 as policy reserves corresponding to the reinsured portion as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act.

b. Calculation method and integers used as the basis for calculations

	Variable insurance with minimum guarantee	Individual variable annuities with minimum guarantee (Lump-sum payment) Individual variable annuities with minimum guarantee (Lump-sum payment) (08)	Single-premium individual variable annuities with minimum guarantee (08)	New individual variable annuities with minimum guarantees (Lump-sum payment)	Individual variable annuities (Lump-sum payment)	Individual variable annuities with minimum guarantee (Lump-sum payment) (16)
Calculation method	Alternative method as defined in the Ministry of Finance Public Notice No. 48 of 1996 (Scenario testing method)	Alternative method as defined in the Ministry of Finance Public Notice No. 48 of 1996 (Scenario testing method)	Alternative method as defined in the Ministry of Finance Public Notice No. 48 of 1996 (Scenario testing method)	Alternative method as defined in the Ministry of Finance Public Notice No. 48 of 1996 (Scenario testing method)	Alternative method as defined in the Ministry of Finance Public Notice No. 48 of 1996 (Factor table method)	Standard method as defined in the Ministry of Finance Public Notice No. 48 of 1996
Integers used as the basis for calculation	Assumed rate of mortality	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996*	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996*	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996*	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996*	Assumed rate of accidental death Apply (0.000504) only
	Discount rate					The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996
	Expected return rate					
	Volatility	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996. But 0.3% on domestic short-term assets (This rate is defined in the Statement of calculation procedures for insurance premiums and policy reserves).	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996. But 18.4% on domestic real estate (This rate is defined in the Statement of calculation procedures for insurance premiums and policy reserves).	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996.	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996. But 3.5% on hedged foreign currency bonds, 18.4% on domestic real estate and 16.9% on overseas real estate (These rates are defined in the Statement of calculation procedures for insurance premiums and policy reserves).	18.4% (This rate is defined in the Statement of calculation procedures for insurance premiums and policy reserves).

- * - In accordance with the Statement of calculation procedures for insurance premiums and policy reserves, the Company applied the assumed rate of mortality defined in Paragraph 1 Item 2-a of the said Public Notice to the contracts concluded on April 1, 2007.
 - In accordance with the Statement of calculation procedures for insurance premiums and policy reserves, the Company applied the assumed rate of mortality defined in Paragraph 1 Item 2-b of the said Public Notice after adjusting the rate on the basis of age last birthday, to the contracts concluded on or after April 2, 2007.

7. Policyholders' dividend reserves

(Fiscal year ended March 31, 2017)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Beginning balance	243,110	11,860	3,182	188	784	102	259,228
Transfer from surplus in the previous fiscal year	9,760	2,352	36,296	2,844	(0)	294	51,548
Interest accrued during the fiscal year	116	3	0	—	0	0	121
Dividend payments to policyholders during the fiscal year	21,410	1,061	39,065	2,945	88	376	64,947
Ending balance	231,242	13,157	753	81	695	20	245,951
	[226,903]	[9,956]	[296]	[—]	[690]	[11]	[237,859]

(Fiscal year ended March 31, 2018)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Beginning balance	231,242	13,157	753	81	695	20	245,951
Transfer from surplus in the previous fiscal year	8,427	46	40,805	2,192	(2)	265	51,735
Interest accrued during the fiscal year	38	0	0	—	0	0	39
Dividend payments to policyholders during the fiscal year	18,846	966	39,962	2,059	85	257	62,177
Ending balance	221,199	12,240	1,256	214	607	29	235,548
	[216,478]	[10,027]	[300]	[—]	[605]	[9]	[227,422]

(Note) The numbers in [] indicate accumulated dividends reserved.

8. Allowance for Possible Loan Losses and Other Reserves

(Fiscal year ended March 31, 2017)

Millions of Yen

Classification		Beginning balance	Ending balance	Increase (decrease) in the fiscal year	Reasons for recording:
Allowance for possible loan losses	General allowance for possible loan losses	1,017	910	(106)	Allowance for possible loan losses is recorded to cover bad-debt loss.
	Specific allowance for possible loan losses	485	221	(263)	
	Allowance for specific overseas debt	—	—	—	
Accrued retirement benefits		47,962	45,448	(2,513)	Accrued retirement benefits are recorded based on "Accounting Standard for Retirement Benefits."
Reserve for price fluctuations		352,147	502,347	150,200	Reserve for price fluctuations is recorded based on the provisions of Article 115 of the Insurance Business Act.

(Fiscal year ended March 31, 2018)

Millions of Yen

Classification		Beginning balance	Ending balance	Increase (decrease) in the fiscal year	Reasons for recording:
Allowance for possible loan losses	General allowance for possible loan losses	910	717	(192)	Allowance for possible loan losses is recorded to cover bad-debt loss.
	Specific allowance for possible loan losses	221	203	(18)	
	Allowance for specific overseas debt	—	—	—	
Accrued retirement benefits		45,448	32,082	(13,366)	Accrued retirement benefits are recorded based on "Accounting Standard for Retirement Benefits."
Reserve for price fluctuations		502,347	656,947	154,600	Reserve for price fluctuations is recorded based on the provisions of Article 115 of the Insurance Business Act.

9. Status of Specific Allowance for Possible Loan Losses

Millions of Yen

Classification	As of March 31, 2017	As of March 31, 2018
Amount of provision	260	239
Amount of reversal (Excluding reversal accompanying write-off)	255	249
Net provision	44	(10)

10. Status of Allowance for Specific Overseas Debt

a. Allowance for specific overseas debt

Omitted as there are no ending balances for March 31, 2017 and 2018.

b. Balance of debt by creditor countries

Omitted as there are no ending balances for March 31, 2017 and 2018.

11. Loans payable by Due Date

(As of March 31, 2017)

Millions of Yen

Classification	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years (including loans payable with no fixed maturity)	Total
Loans payable	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	354,480	354,480

(As of March 31, 2018)

Millions of Yen

Classification	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years (including loans payable with no fixed maturity)	Total
Loans payable	—	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	499,924	499,924

Net Assets

1. Status of Foundation Funds (Kikin)

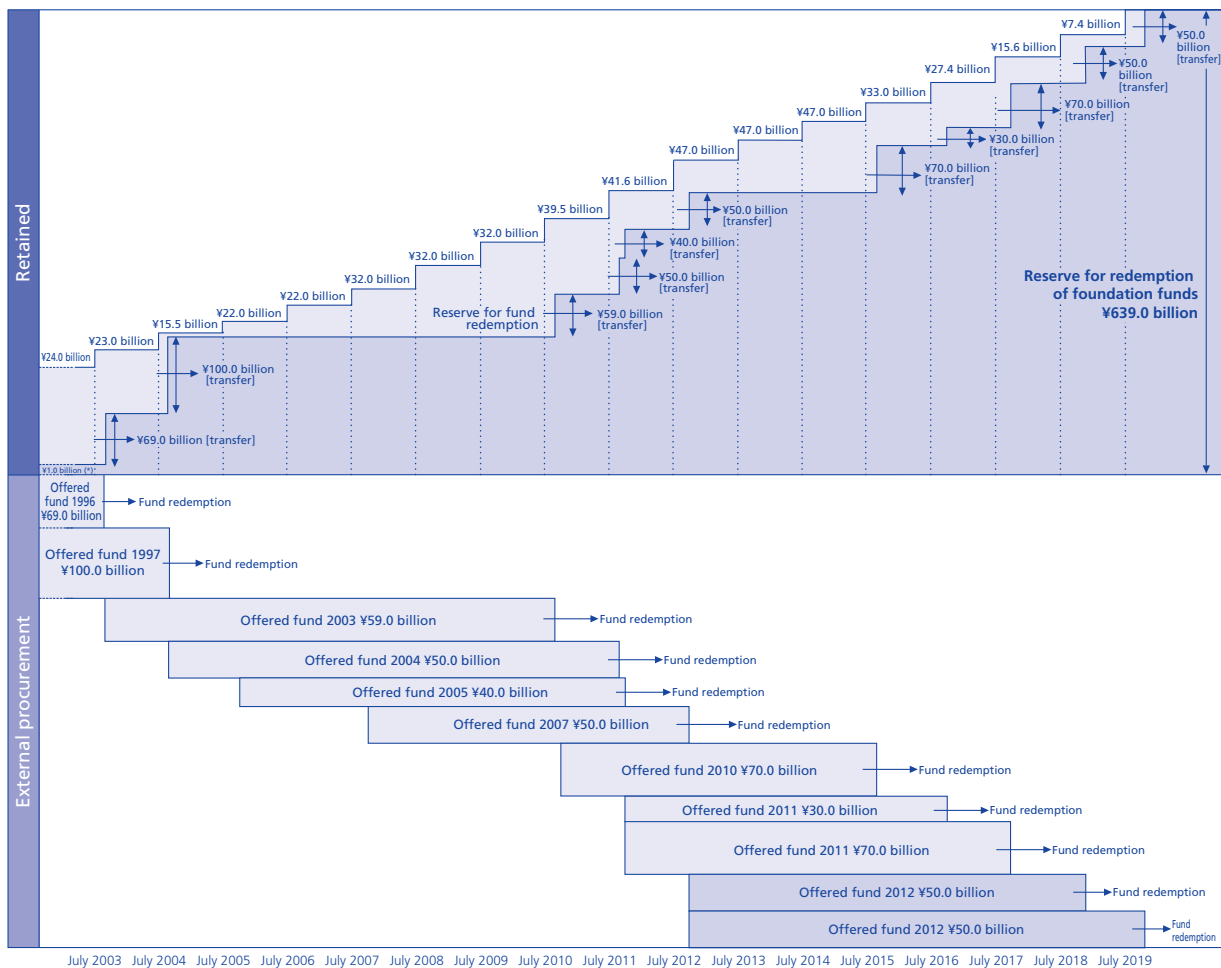
Payment date	Total amount of offering	Redemption period	Interest rate	Use of funds
August 8, 2012	¥50.0 billion	Within 6 years	Market interest rates (fixed interest rate)	Enhancement of financial basis
August 10, 2012	¥50.0 billion	Within 7 years	Market interest rates (fixed interest rate or market interest rate-linked floating interest rate)	
Total foundation funds (as of March 31, 2018)		¥639.0 billion (including ¥539.0 billion in reserve for redemption of foundation funds)		

Names of fund contributor	Millions of Yen, %	
	Fund contributions to the Company	Fund contribution
Sumitomo Life 5th Foundation Fund Securitization Special Purpose Company	50,000	50.00
Sumitomo Mitsui Banking Corporation	31,000	31.00
Sumitomo Mitsui Trust Bank, Limited	16,000	16.00
Mitsui Sumitomo Insurance Company, Limited	3,000	3.00

- (Notes) 1. Fund contributors are listed in descending order of amount of their contributions as of March 31, 2018.
 2. Sumitomo Life 5th Foundation Fund Securitization Special Purpose Company issues special corporate bonds backed by claims on funds and the issuance proceeds are used to purchase claims on the funds.

Fund redemption schedule

The following diagram indicates the schedule for the accumulation of reserve for fund redemption, the transfer to the reserve for redemption of foundation funds and fund redemption.



*The minimum fund amount as stipulated in the Insurance Business Act is ¥1.0 billion.

Insurance-related Income

1. Insurance Premiums

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Individual life insurance	1,858,379	1,683,985
(Lump-sum payment)	410,764	604,217
(Annual payment)	543,742	190,474
(Semiannual payment)	5,952	5,608
(Monthly payment)	897,920	883,684
Individual annuities	1,108,809	504,824
(Lump-sum payment)	5,312	10,762
(Annual payment)	822,119	178,982
(Semiannual payment)	3,544	3,625
(Monthly payment)	277,832	311,454
Group insurance	95,745	95,638
Group annuities	228,995	201,781
Total including other premiums	3,311,796	2,505,129

(Note) Annual payments represent amounts which include payments made once a year, and semiannual payments represent amounts which include payments made twice a year.

2. Claims Paid

a. Amount

(Fiscal year ended March 31, 2017)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Mortality	276,408	5,294	41,035	—	—	2	322,741
Accident	4,320	13	89	—	34	—	4,457
Serious disability	8,060	28	3,415	—	—	—	11,503
Maturity	175,712	5	—	—	782	—	176,500
Others	2,045	—	—	2,580	—	—	4,626
Total	466,548	5,340	44,540	2,580	817	2	519,829

(Fiscal year ended March 31, 2018)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Mortality	288,695	4,977	41,164	—	—	1	334,838
Accident	4,014	18	68	—	58	—	4,160
Serious disability	7,389	50	3,305	—	—	—	10,745
Maturity	233,707	3	—	—	777	—	234,488
Others	2,435	0	—	3,192	—	—	5,628
Total	536,242	5,050	44,538	3,192	836	1	589,860

b. Number of policies

(Fiscal year ended March 31, 2017)

Number of claims

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Mortality	53,371	1,024	42,574	—	—	168	97,137
Accident	780	2	174	—	5	—	961
Serious disability	967	6	2,983	—	—	—	3,956
Maturity	54,308	88	—	—	1,422	—	55,818
Others	3,830	—	—	—	—	—	3,830
Total	113,256	1,120	45,731	—	1,427	168	161,702

(Fiscal year ended March 31, 2018)

Number of claims

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Mortality	56,859	944	41,006	—	—	144	98,953
Accident	765	4	167	—	5	—	941
Serious disability	1,019	7	2,810	—	—	—	3,836
Maturity	62,861	74	—	—	1,241	—	64,176
Others	4,577	1	—	—	—	—	4,578
Total	126,081	1,030	43,983	—	1,246	144	172,484

3. Annuity Payments

a. Amount

(Fiscal year ended March 31, 2017)

Millions of Yen

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
—	633,995	514	64,568	4,661	—	703,740

(Fiscal year ended March 31, 2018)

Millions of Yen

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
—	574,006	483	55,393	4,367	—	634,251

b. Number of policies

(Fiscal year ended March 31, 2017)

Number of policies

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
—	599,458	24,038	1,966,034	15,109	—	2,604,639

(Fiscal year ended March 31, 2018)

Number of policies

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
—	615,024	22,498	2,071,691	14,299	—	2,723,512

4. Benefits Payments

a. Amount

(Fiscal year ended March 31, 2017)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Death benefits	7,136	17,703	6	—	247	—	25,094
Hospitalization benefits	64,601	744	89	—	—	68	65,504
Surgical benefits	33,376	703	—	—	—	—	34,080
Disability benefits	4,787	12	27	—	—	—	4,827
Survival benefits	54,420	305	—	—	548	—	55,274
Others	2,572	0	2	101,513	57	3	104,149
Total	166,895	19,471	125	101,513	853	71	288,931

(Fiscal year ended March 31, 2018)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Death benefits	15,032	11,485	6	—	200	—	26,725
Hospitalization benefits	64,616	681	85	—	—	53	65,437
Surgical benefits	32,848	665	—	—	—	—	33,514
Disability benefits	4,732	13	34	—	14	—	4,794
Survival benefits	44,495	214	—	—	408	—	45,119
Others	3,439	3	5	95,712	78	2	99,242
Total	165,166	13,064	132	95,712	701	56	274,834

b. Number of policies

(Fiscal year ended March 31, 2017)

Number of policies

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Death benefits	13,364	4,837	429	—	80	—	18,710
Hospitalization benefits	827,909	9,686	3,353	—	—	7,579	848,527
Surgical benefits	401,357	8,768	—	—	—	—	410,125
Disability benefits	56,602	134	158	—	—	—	56,894
Survival benefits	199,542	1,760	—	—	244	—	201,546
Others	12,628	4	159	473,815	105	102	486,813
Total	1,511,402	25,189	4,099	473,815	429	7,681	2,022,615

(Fiscal year ended March 31, 2018)

Number of policies

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Death benefits	15,371	3,943	459	—	95	—	19,868
Hospitalization benefits	835,105	9,110	3,326	—	—	6,454	853,995
Surgical benefits	407,956	8,355	—	—	—	—	416,311
Disability benefits	57,982	169	133	—	2	—	58,286
Survival benefits	158,143	1,212	—	—	178	—	159,533
Others	18,407	14	254	465,407	101	84	484,267
Total	1,492,964	22,803	4,172	465,407	376	6,538	1,992,260

5. Surrender Benefits

(Fiscal year ended March 31, 2017)

Millions of Yen

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
254,140	80,731	—	64,225	19,495	—	418,593

(Fiscal year ended March 31, 2018)

Millions of Yen

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
262,186	80,597	—	61,521	17,505	—	421,811

Investment-related Income

1. Investment Income (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Interest, dividends, and other income	588,852	613,474
Gains on trading securities	108	401
Gains on sales of securities	88,036	78,714
Gains on redemption of securities	16,578	5,065
Foreign exchange gains	8,810	—
Reversal of allowance for possible loan losses	102	203
Other investment income	522	2,104
Total	703,011	699,963

2. Investment Expenses (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Interest expenses	7,698	18,507
Losses on sales of securities	39,074	43,629
Losses on valuation of securities	6	276
Losses on derivative financial instruments	107,144	89,723
Foreign exchange losses	—	2,286
Depreciation of real estate for investments	9,152	8,768
Other investment expenses	13,504	12,349
Total	176,580	175,540

3. Interest, Dividends, and Other Income (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Interest on deposits	64	41
Interest and dividends on securities	505,535	530,326
Interest on domestic bonds	226,433	225,175
Domestic stock dividends	31,608	37,783
Interest and dividends on foreign securities	246,054	263,341
Interest on loans	37,695	33,303
Interest on industrial and consumer loans	24,317	20,585
Rent revenue from real estate	38,997	36,112
Total including other income	588,852	613,474

4. Analysis of Interest, Dividends, and Other Income (General Account)

Millions of Yen

Fiscal Year ended March 31, 2018	Increase (decrease) in balance	Increase/decrease in interests	Total increase (decrease)
Interest, dividends, and other income	54,946	(30,324)	24,622
Cash, deposits and call loans	1,973	3,269	5,242
Securities	26,912	(2,122)	24,790
Loans	9,260	(13,652)	(4,391)
Real estate	(2,262)	(622)	(2,885)

5. Gains on Sales of Securities (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Domestic bonds including national government bonds	82,941	53,092
Domestic stocks and others	5,094	17,937
Foreign securities	1	7,683
Total including other gains on sales of securities	88,036	78,714

6. Gains on Disposal of Fixed Assets (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Tangible fixed assets	10,595	17,477
Land	714	5,265
Buildings	9,881	12,211
Lease assets	—	—
Other assets	—	—
Intangible fixed assets	—	—
Others	6,437	154
Total	17,033	17,632
Investment and rental properties	9,287	17,438

7. Losses on Sales of Securities (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Domestic bonds including national government bonds	1,583	138
Domestic stocks and others	2,351	2,937
Foreign securities	35,139	40,553
Total including other losses on sales of securities	39,074	43,629

8. Losses on Valuation of Securities (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Domestic bonds including national government bonds	—	—
Domestic stocks and others	6	276
Foreign securities	—	—
Total including other losses on sales of securities	6	276

9. Write-off of Loans (General Account)

No loans have been written off in the fiscal year ended March 31, 2017 and after.

10. Depreciation of Real Estate for Investments (General Account)

(Fiscal year ended March 31, 2017)

Millions of Yen

Classification	Acquisition cost	Depreciation in the fiscal year	Accumulated depreciation	Ending balance	Accumulated depreciation percentage
Tangible fixed assets	389,628	8,829	253,778	135,850	65.1%
Buildings	388,554	8,800	252,779	135,775	65.1%
Other tangible fixed assets	1,074	29	999	75	93.0%
Intangible fixed assets	15	1	13	1	87.7%
Others	8,022	320	7,185	837	89.6%
Total	397,667	9,152	260,977	136,690	65.6%

(Fiscal year ended March 31, 2018)

Millions of Yen

Classification	Acquisition cost	Depreciation in the fiscal year	Accumulated depreciation	Ending balance	Accumulated depreciation percentage
Tangible fixed assets	383,512	8,707	253,427	130,084	66.1%
Buildings	382,460	8,681	252,440	130,020	66.0%
Other tangible fixed assets	1,051	25	987	64	93.9%
Intangible fixed assets	4	0	3	0	80.4%
Others	1,790	59	1,012	777	56.6%
Total	385,307	8,768	254,443	130,863	66.0%

11. Losses on Disposal of Fixed Assets (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Tangible fixed assets	5,339	736
Land	2,748	41
Buildings	2,516	668
Lease assets	8	4
Other assets	66	22
Intangible fixed assets	0	862
Others	29	22
Total	5,369	1,621
Investment and rental properties	4,384	591

Others

1. Depreciation

(Fiscal year ended March 31, 2017)

Classification	Millions of Yen				
	Acquisition cost	Depreciation in the fiscal year	Accumulated depreciation	Ending balance	Accumulated depreciation percentage
Tangible fixed assets	238,013	6,492	160,961	77,070	67.6%
Buildings	206,333	4,312	134,232	72,100	65.1%
Lease assets	5,685	923	4,557	1,146	80.2%
Other tangible fixed assets	25,994	1,255	22,171	3,822	85.3%
Intangible fixed assets	107,827	6,804	80,634	27,193	74.8%
Others	23,290	41	23,171	118	99.5%
Total	369,130	13,337	264,767	104,382	71.7%

(Fiscal year ended March 31, 2018)

Classification	Millions of Yen				
	Acquisition cost	Depreciation in the fiscal year	Accumulated depreciation	Ending balance	Accumulated depreciation percentage
Tangible fixed assets	239,885	6,280	164,415	75,489	68.5%
Buildings	208,752	4,218	137,785	70,967	66.0%
Lease assets	4,200	798	3,875	344	92.2%
Other tangible fixed assets	26,932	1,264	22,754	4,178	84.5%
Intangible fixed assets	123,635	7,117	87,715	35,919	70.9%
Others	23,064	35	22,968	95	99.6%
Total	386,585	13,433	275,099	111,504	71.2%

2. Operating Expenses

Classification	Millions of Yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Marketing operations	128,482	118,543
Marketing administration	61,400	59,389
General and administrative expenses	157,011	150,636
Total	346,894	328,569

(Note) Of general and administrative expenses, contributions to the Life Insurance Policyholders Protection Corporation of Japan were ¥2,918 million and ¥2,823 million in the fiscal year ended March 31, 2017 and 2018, respectively.

3. Tax Expenses

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
National tax	15,606	13,850
Consumption tax	12,326	11,348
Special local corporate tax	2,926	2,214
Documentary stamp tax	343	262
Registration and license tax	4	25
Other national tax	5	—
Local tax	12,471	10,382
Local consumption tax	3,321	3,059
Corporate enterprise tax	7,008	5,304
Fixed asset tax	1,703	1,576
Real-estate acquisition tax	0	—
Corporate income tax	431	433
Other local tax	5	6
Total	28,078	24,232

4. Lease Transactions

<Lease transactions (lessee side)>

[Finance leases not transferring ownership that have been recorded based on normal lease transaction methods]

a. Pro forma information relating to acquisition cost, accumulated depreciation, and book value of leased assets at the end of the fiscal year

Omitted as there are no ending balances for March 31, 2017 and 2018.

b. Future minimum lease payments balance as of the end of the fiscal year

Omitted as there are no ending balances for March 31, 2017 and 2018.

c. Lease fees paid, depreciation and interest expenses

Omitted as there are no ending balances for March 31, 2017 and 2018.

d. Calculation method for depreciation and interest

Calculation method for depreciation	Depreciation of the acquisition cost equivalent calculated on a straight-line method over the lease period
Calculation method for interest expenses	Interest calculated by applying interest method to accrued lease payments over the lease period

Policy Amount-related Statistics

1. Amount of Policy in Force by Coverage Type

Thousand policies, millions of yen

Classification		Number of policies and amount in force				
		As of March 31, 2017		As of March 31, 2018		
		Policies	Amount	Policies	Amount	
Death protection	Death protection due to illness/accident	Individual life insurance	8,261	77,138,409	8,284	71,361,089
		Individual annuities	—	—	—	—
		Group insurance	21,823	31,482,206	22,493	31,885,941
		Group annuities	—	—	—	—
		Total including other types	30,084	108,620,615	30,777	103,247,031
	Death protection due to accident	Individual life insurance	[7,849]	[19,267,743]	[7,621]	[18,268,459]
		Individual annuities	[44]	[194,384]	[40]	[181,568]
		Group insurance	[2,521]	[851,391]	[2,482]	[832,297]
		Group annuities	[—]	[—]	[—]	[—]
	Total including other types	[10,414]	[20,313,519]	[10,144]	[19,282,325]	
	Death protection due to specific causes	Individual life insurance	[0]	[19]	[0]	[11]
		Individual annuities	[—]	[—]	[—]	[—]
		Group insurance	[63]	[33,138]	[62]	[32,918]
		Group annuities	[—]	[—]	[—]	[—]
	Total including other types	[63]	[33,157]	[62]	[32,929]	
Pure endowment	Maturity and survival benefits	Individual life insurance	212	405,768	204	390,142
		Individual annuities	2,842	14,425,826	2,765	14,008,273
		Group insurance	0	194	0	153
		Group annuities	—	—	—	—
		Total including other types	3,063	14,854,070	2,978	14,419,093
	Annuity	Individual life insurance	[—]	[—]	[—]	[—]
		Individual annuities	[3,337]	[1,992,402]	[3,290]	[1,946,558]
		Group insurance	[7]	[486]	[7]	[467]
		Group annuities	[—]	[—]	[—]	[—]
	Total including other types	[3,358]	[1,997,539]	[3,310]	[1,951,390]	
	Others	Individual life insurance	—	—	—	—
		Individual annuities	494	1,576,693	524	1,613,311
		Group insurance	7	3,041	6	2,970
		Group annuities	6,601	2,565,431	6,390	2,624,858
	Total including other types	7,180	4,335,738	6,995	4,430,816	
Hospitalization coverage	Coverage for hospitalization due to accident	Individual life insurance	[5,000]	[31,070]	[4,930]	[30,204]
		Individual annuities	[113]	[538]	[105]	[500]
		Group insurance	[1,342]	[1,125]	[1,314]	[1,101]
		Group annuities	[—]	[—]	[—]	[—]
		Total including other types	[6,726]	[32,873]	[6,590]	[31,933]
	Coverage for hospitalization due to illness	Individual life insurance	[4,988]	[30,847]	[4,921]	[30,032]
		Individual annuities	[111]	[528]	[103]	[490]
		Group insurance	[11]	[48]	[12]	[52]
		Group annuities	[—]	[—]	[—]	[—]
	Total including other types	[5,381]	[31,563]	[5,276]	[30,703]	
	Coverage for hospitalization due to other causes	Individual life insurance	[8,816]	[219,777]	[8,622]	[224,655]
		Individual annuities	[43]	[350]	[40]	[326]
		Group insurance	[63]	[57]	[63]	[61]
		Group annuities	[—]	[—]	[—]	[—]
	Total including other types	[8,922]	[220,185]	[8,726]	[225,042]	

- (Notes) 1. Figures in [] represent additional coverage attached to primary policies and rider coverage. However, the portion of death protection due to illness/accident in term riders is recorded under primary coverage.
2. Numbers of policies in group insurance and group annuities represent respective number of insured persons.
3. Amounts in the "others" column of pure endowment show corresponding policy reserves.
4. The amounts of hospitalization coverage show the amount of daily hospital benefits.
5. In individual annuities and group insurance, the "maturity and survival benefits" column shows the number of policies signed prior to the start of annuity payments and annuity resources at the start of annuity payments, while the "annuity" column shows the annual annuity payments and "others" column shows the number of policies signed after the start of annuity payments and corresponding policy reserves.
6. The amount of total including other types in coverage for hospitalization due to illness shows the sum of primary coverage portion and additional coverage portion.
7. "Coverage for hospitalization due to other causes" columns represent insurance covers in respect of specific illness or accidents including adult disease medical rider, traffic accident rider, and group term insurance work-related accident rider.

Number of Policies

Classification		Number of policies in force	
		As of March 31, 2017	As of March 31, 2018
Disability coverage	Individual life insurance	6,478,264	6,342,956
	Individual annuities	33,132	31,178
	Group insurance	2,315,566	2,263,622
	Group annuities	—	—
	Total including other types	8,826,962	8,637,756
Surgical coverage	Individual life insurance	6,636,251	6,269,734
	Individual annuities	138,368	128,544
	Group insurance	—	—
	Group annuities	—	—
Total including other types	6,774,619	6,398,278	

2. Annualized Premiums

a. Policies in force

Classification	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Amount	Rate of increase (decrease)	Amount	Rate of increase (decrease)
Individual life insurance	1,517,985	2.2	1,534,271	1.1
Individual annuities	807,327	13.9	795,689	(1.4)
Total	2,325,313	6.0	2,329,960	0.2
Living benefits, medical coverage, and others	532,677	2.5	546,750	2.6

b. New policies (new policies acquired plus net increase by conversion)

Classification	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Amount	Rate of increase (decrease)	Amount	Rate of increase (decrease)
Individual life insurance	120,709	13.2	108,568	(10.1)
Individual annuities	132,284	111.4	22,759	(82.8)
Total	252,994	49.5	131,328	(48.1)
Living benefits, medical coverage, and others	42,408	6.0	45,267	6.7

(Notes) 1. The amount of annualized premium is the annual premium amount calculated by multiplying factor according to the premium payment method to a single premium payment amount (for lump-sum payment, the amount is the total premium divided by the insured period).

2. Annualized premiums for living benefits represent total amounts of work disability and nursing care benefits, specified illness benefits, severe chronic disease benefits and benefits of premium waiver riders.

3. Annualized premiums for medical coverage represent hospitalization benefits, surgical benefits and other benefits.

3. Policies in Force and New Policies

a. Policies in force

Classification	As of March 31, 2017				As of March 31, 2018			
	Policies	Rate of increase (decrease)	Amount	Rate of increase (decrease)	Policies	Rate of increase (decrease)	Amount	Rate of increase (decrease)
Individual life insurance	8,473	0.6	77,544,178	(7.7)	8,488	0.2	71,751,231	(7.5)
Individual annuities	3,337	15.3	16,002,519	14.3	3,290	(1.4)	15,621,584	(2.4)
Group insurance	—	—	31,485,442	(0.2)	—	—	31,889,064	1.3
Group annuities	—	—	2,565,431	0.4	—	—	2,624,858	2.3

(Notes) 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies signed prior to the start of annuity payments, and (b) policy reserves for policies signed after the start of annuity payments.

2. The amount of group annuities is the amount of the policy reserves.

b. New policies (new policies acquired plus net increase by conversion)

Classification	Fiscal year ended March 31, 2017						Fiscal year ended March 31, 2018					
	Policies	Rate of increase (decrease)	Amount	Rate of increase (decrease)	New policies	Net increase by conversion	Policies	Rate of increase (decrease)	Amount	Rate of increase (decrease)	New policies	Net increase by conversion
Individual life insurance	781	(7.6)	74,122	(96.3)	2,113,676	(2,039,554)	763	(2.2)	269,348	263.4	2,131,812	(1,862,463)
Individual annuities	608	101.9	2,876,240	114.6	2,889,122	(12,881)	111	(81.7)	447,215	(84.5)	455,424	(8,209)
Group insurance	—	—	51,363	(30.1)	51,363	—	—	—	34,367	(33.1)	34,367	—
Group annuities	—	—	58	(53.2)	58	—	—	—	30	(47.2)	30	—

(Notes) 1. Number of policies is a total of numbers of new policies acquired, new policies by conversion and new policies after rider replacement.

2. Net increase by conversion includes net increase by rider replacement.

3. Net increase by the acquisition of new policies and conversion in individual annuities represents the annuity resources at the start of annuity payments.

4. New policies in group annuities show the first time premium revenues.

4. Trends and Transitions of Policies in Force

Thousand policies, millions of yen

			As of March 31, 2017			As of March 31, 2018		
Classification			Policies	Insurance amount	Annualized premiums	Policies	Insurance amount	Annualized premiums
Individual life insurance	Mortality insurance	Whole life insurance	1,632	8,934,958	352,207	1,684	9,251,441	377,797
		Whole life insurance covering specified illness	44	183,761	3,253	43	179,090	3,134
		Whole life insurance substandard disclosure	110	105,646	19,483	121	108,412	21,030
		Whole life insurance covering nursing care	70	364,457	9,391	76	387,317	9,914
		Whole life insurance with variable assumed interest rate	167	1,023,982	86,749	162	992,424	83,792
		Whole life insurance denominated in designated currency	—	—	—	37	234,143	17,507
		Total whole life insurance including other types	2,025	10,620,935	472,036	2,126	11,160,432	514,089
		New whole life insurance with term rider	579	12,019,387	133,543	532	10,418,130	123,222
		Total whole life insurance with term rider including other types	1,620	19,420,926	225,513	1,539	17,136,203	206,942
		Whole life insurance with variable accumulation rate	2,787	40,367,090	554,120	2,726	35,742,054	543,462
	Life and mortality insurance	Term life insurance	71	1,995,054	37,528	69	1,889,278	35,663
		Term life insurance covering specified illness	45	167,200	2,662	42	153,601	2,506
		Total term life insurance including other types	128	2,207,906	40,877	122	2,083,599	38,817
		Riders combination insurance	—	—	—	147	1,268,321	18,203
		Medical whole life insurance	454	115,034	62,389	484	115,605	66,389
		Medical term life insurance	513	323,676	26,920	495	299,669	26,510
		Total including other types	7,615	74,063,172	1,387,517	7,722	68,722,329	1,419,673
		Endowment insurance	386	1,691,540	70,111	331	1,445,345	59,345
		Endowment insurance with term rider	55	557,445	5,871	44	452,542	4,758
		Term life insurance with survival benefits	153	566,320	21,561	145	527,632	20,423
Pure endowment	Juvenile insurance	248	592,758	30,289	234	542,245	28,424	
	Total including other types	843	3,417,965	127,848	757	2,977,049	112,959	
	Pure endowment	14	63,040	2,619	8	51,853	1,638	
	Subtotal (1)	8,473	77,544,178	1,517,985	8,488	71,751,231	1,534,271	
Individual annuities	Individual fixed annuities	Individual annuities	643	3,463,684	197,890	616	3,290,538	194,201
		Annuities focused on survival coverage	2,408	11,556,961	461,325	2,447	11,659,216	474,624
		Total including other types	3,090	15,157,150	682,820	3,101	15,082,537	692,052
	Individual variable annuities	246	845,369	124,507	189	539,047	103,636	
Subtotal (2)	3,337	16,002,519	807,327	3,290	15,621,584	795,689		
(1) + (2) Total		11,810	93,546,698	2,325,313	11,779	87,372,816	2,329,960	

			As of March 31, 2017		As of March 31, 2018	
Classification			Policies	Amount	Policies	Amount
Group insurance	Group term life insurance		7,290	5,514,013	8,177	5,367,264
	General welfare group term life insurance		3,702	9,049,956	3,722	9,185,291
	Group credit life insurance		10,786	16,880,461	10,551	17,297,249
	Consumer credit group insurance		44	10,598	43	9,607
	Group whole life insurance		0	76	0	61
	Life insurance for sustainers of disabled		45	27,100	43	26,467
	Annuities rider		7	3,236	7	3,123
	Subtotal		21,831	31,485,442	22,501	31,889,064
Group annuities	Corporate pension plans		0	236	0	246
	New corporate pension plans		3,926	77,736	3,972	77,648
	Insured contributory pension plans		2,389	788,283	2,379	789,775
	Employees' pension fund insurance		284	23,141	38	12,582
	National pension fund insurance		—	10	—	10
	Group pure endowment insurance		—	49,433	—	49,877
	Defined benefit corporate pension plans		—	1,528,803	—	1,593,381
	Defined contribution pension plans		—	97,786	—	101,336
Subtotal		6,601	2,565,431	6,390	2,624,858	
Workers' asset formation insurance			62	166,404	59	166,860
Workers' asset formation annuities			22	46,448	20	43,341
Medical life insurance			270	138	238	128

Thousand policies, millions of yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Policies	Amount	Policies	Amount
Hospitalization/ accident riders				
Accident rider with extra premium	1,491	7,023,675	1,429	6,549,319
Accident coverage rider	11	14,810	8	11,395
Personal accident rider	3,178	11,360,138	3,052	10,783,251
Accident injury rider	3,299	170,510	3,292	170,332
General medical rider	2,455	16,302	2,593	16,905
Hospitalization due to accident rider	1,557	9,461	1,326	7,942
Hospitalization due to illness rider	1,645	9,661	1,424	8,225
Hospitalization due to adult disease rider	1,893	8,929	1,798	8,412
Hospitalization due to other causes rider	6,942	211,052	6,842	216,434
Advanced medical treatment rider	3,539	—	3,576	—
Cancer diagnosis rider	1,365	823,409	1,599	964,174
Cancer medication rider	1,410	88,786	1,653	102,703

- (Notes) 1. Number of policies for group insurance, group annuities, workers' asset formation insurance, workers' asset formation annuities and medical life insurance each represents respective number of insured persons.
2. Number of policies for life insurance for sustainers of disabled is not included in the subtotal.
3. The "Insurance amount" and "Amount" columns show principal amounts of coverage.
- a. Individual annuities and group insurance (with annuities rider) show the sum of annuity resources at the start of annuity payments for policies signed prior to the start of annuity payments and the policy reserve for policies signed after the start of annuity payments.
- b. Group annuities and workers' asset formation insurance show respective policy reserves.
- c. Workers' asset formation annuities show the sum of annuity resources at the start of annuity payments for policies signed prior to the start of annuity payments and the policy reserve for policies signed after the start of annuity payments, while workers' asset formation funding annuities show policy reserves.
- d. Medical life insurance shows the amount of daily hospital benefit.
4. The amount of annualized premium is the annual premium amount calculated by multiplying factor according to the premium payment method to a single premium payment amount (for lump-sum payment, the amount is the total premium divided by the insured period).
5. Amount of accident injury rider shows the amount of benefit, while hospitalization riders show daily hospital benefit.
6. Accident coverage rider includes traffic accident rider.
7. Hospitalization due to illness rider includes substandard medical rider.

5. Trends and Transitions of New Policies (New Policies Acquired plus Net Increase by Conversion)

Thousand policies, millions of yen

			Fiscal year ended March 31, 2017			Fiscal year ended March 31, 2018				
	Classification		Policies	Insurance amount	Annualized premiums	Policies	Insurance amount	Annualized premiums		
Individual life insurance	Mortality insurance	Whole life insurance	160	275,851	50,040	99	423,540	38,643		
		Whole life insurance covering specified illness	—	—	—	—	—	—		
		Whole life insurance substandard disclosure	18	10,419	3,022	22	11,940	3,639		
		Whole life insurance covering nursing care	8	35,087	863	8	32,203	749		
		Whole life insurance with variable assumed interest rate	26	197,996	19,192	—	—	—		
		Whole life insurance denominated in designated currency	—	—	—	37	240,474	18,472		
		Total whole life insurance including other types	214	519,354	73,129	167	708,158	61,515		
		New whole life insurance with term rider	44	763,230	10,600	20	344,616	5,003		
		Total whole life insurance with term rider including other types	44	763,241	10,600	20	344,617	5,003		
		Whole life insurance with variable accumulation rate	385	4,532,400	68,999	298	3,325,494	55,854		
		Term life insurance	7	181,309	3,637	5	89,290	1,803		
		Term life insurance covering specified illness	—	—	—	—	—	—		
		Total term life insurance including other types	7	181,309	3,637	5	89,290	1,803		
		Riders combination insurance	—	—	—	151	1,297,105	18,589		
		Medical whole life insurance	48	10,416	7,028	53	9,679	7,734		
		Medical term life insurance	52	28,082	3,079	45	22,256	2,754		
		Total including other types	753	6,043,243	166,476	741	5,797,404	153,254		
		Life and mortality insurance	Endowment insurance	Endowment insurance	8	26,421	1,584	6	23,422	1,359
				Endowment insurance with term rider	—	—	—	—	—	—
				Term life insurance with survival benefits	8	33,664	1,174	10	39,675	1,458
Juvenile insurance	10			17,215	1,207	5	7,949	556		
Total including other types	27			77,301	3,966	21	71,048	3,373		
Pure endowment	—	—	—	—	—	—				
Subtotal (1)		781	6,120,544	170,443	763	5,868,452	156,628			
Individual annuities	Individual fixed annuities	Individual annuities	—	—	—	—	—	—		
		Annuities focused on survival coverage	607	2,884,014	132,353	108	444,715	22,337		
		Total including other types	607	2,884,014	132,353	108	444,715	22,337		
	Individual variable annuities	1	5,108	323	2	10,708	672			
Subtotal (2)		608	2,889,122	132,677	111	455,424	23,009			
(1) + (2) Total		1,389	9,009,667	303,120	875	6,323,876	179,637			

Classification		Thousand policies, millions of yen			
		Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
		Policies	Amount	Policies	Amount
Group insurance	Group term life insurance	32	5,510	4	906
	General welfare group term life insurance	77	44,570	27	33,460
	Group credit life insurance	11	1,281	—	—
	Consumer credit group insurance	—	—	—	—
	Group whole life insurance	—	—	—	—
	Life insurance for sustainers of disabled	—	—	—	—
	Annuities rider	—	—	—	—
	Subtotal	121	51,363	31	34,367
Group annuities	Corporate pension plans	—	—	—	—
	New corporate pension plans	—	—	—	—
	Insured contributory pension plans	0	1	0	0
	Employees' pension fund insurance	—	—	—	—
	National pension fund insurance	—	—	—	—
	Group pure endowment insurance	—	—	—	—
	Defined benefit corporate pension plans	—	33	—	7
	Defined contribution pension plans	—	23	—	23
	Subtotal	0	58	0	30
Workers' asset formation insurance	0	19	0	56	
Workers' asset formation annuities	0	4	0	15	
Medical life insurance	0	1	0	0	

(Notes) 1. Number of policies for group insurance, group annuities, workers' asset formation insurance, worker's asset formation annuities and medical life insurance each represents respective number of insured persons.

2. The "Insurance amount" and "Amount" columns show principal amounts of coverage.

a. Individual annuities show annuity resources at the start of annuity payments.

b. Group annuities and workers' asset formation insurance show the first time premium revenues.

c. Workers' asset formation annuities show the annuity resources at the start of annuity payments, while workers' asset formation funding annuities show the first time premium revenues.

d. Medical life insurance shows the amount of daily hospital benefit.

3. The amount of annualized premium is the annual premium amount calculated by multiplying factor according to the premium payment method to a single premium payment amount (for lump-sum payment, the amount is the total premium divided by the insured period).

4. Individual life insurance and individual annuities include increases due to conversion as well as rider replacement.

6. Trends and Transitions of Individual Life Insurance

Classification	Thousand policies, millions of yen, %			
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Policies	Amount	Policies	Amount
At the beginning of the fiscal year	8,421	84,019,391	8,473	77,544,178
New policies	492	2,113,676	473	2,131,812
Renewals	16	49,756	18	38,243
Reinstatements	20	217,762	19	172,863
Increase from conversion	288	4,006,867	289	3,736,639
Death	51	303,360	56	323,163
Maturity	94	365,336	107	393,381
Decrease of benefits	[101]	716,497	[106]	666,215
Decrease from conversion	288	6,046,422	289	5,599,103
Cancellation	273	3,111,462	274	2,797,000
Expiration	59	610,873	57	503,997
Other increase (decrease)	0	(1,709,324)	0	(1,589,643)
At the end of the fiscal year	8,473	77,544,178	8,488	71,751,231
Rate of increase (decrease)	0.6	(7.7)	0.2	(7.5)
Net increase (decrease)	51	(6,475,212)	15	(5,792,946)
Rate of net increase (decrease)	338.2	—	(69.9)	—

(Notes) 1. Figures show the total of primary coverage portions for mortality insurance, life and mortality insurance, and pure endowment.
2. Figures in [] are included in neither year-end figures nor net increase.
3. Increase or decrease due to conversion includes increase or decrease due to rider replacement.

7. Trends and Transitions of Individual Annuities

Classification	Thousand policies, millions of yen, %			
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Policies	Amount	Policies	Amount
At the beginning of the fiscal year		<1,758,813>		<1,992,402>
	2,895	13,996,452	3,337	16,002,519
		<338,466>		<53,220>
New policies	608	2,889,122	111	455,424
Reinstatements	0	3,236	0	4,112
Increase from conversion	—	—	—	—
Death	6	31,746	5	27,379
Completion of payments	21	67	28	88
Decrease of insurance amount	[5]	15,297	[5]	17,673
Decrease from conversion	2	12,881	1	8,209
Cancellation	58	262,018	63	281,164
Expiration	4	18,903	4	20,780
Other increase (decrease)	(74)	(545,376)	(54)	(485,176)
At the end of the fiscal year		<1,992,402>		<1,946,558>
Rate of increase (decrease)	3,337	16,002,519	3,290	15,621,584
	15.3	14.3	(1.4)	(2.4)
Net increase (decrease)	441	2,006,067	(46)	(380,935)
Rate of net increase (decrease)	251.6	354.5	—	—

(Notes) 1. Figures are the total of annuity resources at the start of annuity payments for policies signed prior to annuity payments and policy reserves for policies after the start of annuity payments.
2. Figures in < > show annual amounts of annuities at the beginning of the year, for new policies and at the end of the year.
3. Figures in [] are included in neither year-end figure nor net increase.

8. Trends and Transitions of Group Insurance

Classification	Thousand policies, millions of yen, %			
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Policies	Amount	Policies	Amount
At the beginning of the fiscal year	22,009	31,559,143	21,831	31,485,442
New policies	121	51,363	31	34,367
Renewals	10,759	14,405,158	10,777	14,303,611
Midterm enrollment	1,758	2,968,518	2,465	2,490,095
Increase of insurance amount	[643]	680,291	[628]	1,090,583
Death	42	44,862	40	44,372
Maturity	10,831	14,519,377	10,846	14,376,513
Withdrawal	1,899	2,361,406	1,650	1,768,874
Decrease of insurance amount	[380]	398,557	[358]	322,118
Cancellation	43	50,241	67	209,391
Expiration	0	871	0	1,043
Other increase (decrease)	0	(803,714)	0	(792,723)
At the end of the fiscal year	21,831	31,485,442	22,501	31,889,064
Rate of increase (decrease)	(0.8)	(0.2)	3.1	1.3
Net increase (decrease)	(178)	(73,700)	669	403,621
Rate of net increase (decrease)	—	—	—	—

(Notes) 1. Figures show the total of primary coverage portions of mortality insurance, life and mortality insurance, and annuity riders.
2. Number of policies shows the number of insured persons.
3. Figures in [] are included in neither year-end figure nor net increase.

9. Trends and Transitions of Group Annuities

Classification	Thousand policies, millions of yen, %			
	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Policies	Amount	Policies	Amount
At the beginning of the fiscal year	6,615	2,555,584	6,601	2,565,431
New policies	0	58	0	30
Annuity payments	1,966	64,568	2,071	55,393
Single payments	473	101,400	465	95,504
Cancellation	100	64,225	34	61,521
At the end of the fiscal year	6,601	2,565,431	6,390	2,624,858
Rate of increase (decrease)	(0.2)	0.4	(3.2)	2.3
Net increase (decrease)	(14)	9,847	(210)	59,426
Rate of net increase (decrease)	—	—	—	503.5

(Notes) 1. Figures for the beginning of the fiscal year and the end of the fiscal year represent policy reserve amounts at that time.
2. Amount of new policies represents the first time premium revenues.
3. Number of policies shows the number of insured persons.

Indicators Related to Separate Accounts

1. Status of the balance of assets held in separate accounts

Millions of Yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount		Amount	
Individual variable insurance	63,452		66,295	
Individual variable annuities	567,478		274,715	
Group annuities	612,079		645,034	
Total of separate accounts	1,243,010		986,044	

2. Status of the separate accounts of individual variable insurance and individual variable annuities

a. Overview of investment

Stock markets at home and abroad in the fiscal year under review rose in the first half of the year as the political risk in Europe subsided and corporate earnings were robust. In the second half of the year, while price increases were successfully finished owing to favorable factors such as approval of the U.S. tax reform legislation, the extent of the rise in stock prices narrowed after January due to negative effects of protectionist policies of the U.S. and a rise in U.S. long-term interest rates. Long-term interest rates in Japan remained at low levels throughout the year, as the "Quantitative and Qualitative Monetary Easing Policies with Yield Curve Control" continued to be conducted by the Bank of Japan. Meanwhile, U.S. long-term interest rates remained largely the same in 2017, but rose from January 2018 in response to positive economic indicators such as favorable employment statistics. Referring to foreign exchange (yen against the dollar), from April to December 2017, the yen hovered mainly around the 110 yen level to the U.S. dollar. From January 2018, the yen appreciated against the U.S. dollar, due to rapid strengthening of the market's risk aversion stance in light of U.S. protectionist policies, such as President Trump's measures to impose tariffs.

In these circumstances, the Company managed funds held in separate accounts for individual variable insurance policies, basically taking an increased share of foreign stocks, while reducing the share of domestic stocks and bonds. Furthermore, the Company sold some of its domestic and foreign stocks when the stock markets were rising, and bought stocks when the stock markets were falling in anticipation of a rebound in the prices of those stocks. As a result, the investment yield in the fiscal year under review was positive. Regarding the in-house managed portion of the funds in separate accounts for individual variable annuities, the Company mainly structured a portfolio comprising assets in line with the basic asset allocation proportions and adjusted these asset proportions according to market perspectives. Meanwhile, following due consideration of investment attractiveness, the Company did not invest these funds in foreign bonds with currency hedge but in domestic bonds only. As a result, the investment yield in the fiscal year under review was positive.

Among separate accounts for individual variable annuities, those whose funds are primarily managed for investment trusts maintained fairly high proportions of investment trusts in their portfolios.

b. Policies in force

● Individual variable insurance

Number of policies, Millions of Yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Policies	Amount	Policies	Amount
Individual variable insurance (Defined term type)	151	645	78	333
Individual variable insurance (Whole life type)	53,801	277,655	52,287	270,145
Total	53,952	278,301	52,365	270,478

(Note) Policies in force include term life insurance riders.

● Individual variable annuities

Number of policies, millions of yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Policies	Amount	Policies	Amount
Individual variable annuities	246,414	845,369	189,232	539,047

c. Breakdown of assets held in separate accounts

● Individual variable insurance

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits and call loans	547	0.9	2,160	3.3
Securities	61,272	96.6	59,951	90.4
Domestic bonds	16,864	26.6	18,600	28.1
Domestic stocks	23,096	36.4	17,960	27.1
Foreign securities	21,311	33.6	23,391	35.3
Foreign bonds	6,013	9.5	6,622	10.0
Other foreign securities	15,297	24.1	16,768	25.3
Other securities	—	—	—	—
Loans	—	—	—	—
Others	1,633	2.6	4,183	6.3
Allowance for possible loan losses	—	—	—	—
Total	63,452	100.0	66,295	100.0

● Individual variable annuities

Millions of Yen, %

Classification	As of March 31, 2017		As of March 31, 2018	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits and call loans	39,537	7.0	18,331	6.7
Securities	507,831	89.5	249,711	90.9
Domestic bonds	246,301	43.4	82,285	30.0
Domestic stocks	73,767	13.0	20,346	7.4
Foreign securities	68,140	12.0	40,760	14.8
Foreign bonds	52,356	9.2	32,672	11.9
Other foreign securities	15,783	2.8	8,087	2.9
Other securities	119,622	21.1	106,318	38.7
Loans	—	—	—	—
Others	20,109	3.5	6,672	2.4
Allowance for possible loan losses	—	—	—	—
Total	567,478	100.0	274,715	100.0

d. Investment income and expenses

● Individual variable insurance

Millions of Yen

Classification	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
	Amount	Amount
Interest, dividends, and other income	1,162	1,216
Gains on sales of securities	3,877	6,229
Gains on redemption of securities	0	0
Gains on valuation of securities	12,935	9,089
Foreign exchange gains	63	49
Gains on derivative financial instruments	151	235
Other investment income	1	1
Losses on sales of securities	2,276	1,022
Losses on redemption of securities	7	15
Losses on valuation of securities	11,123	10,856
Foreign exchange losses	50	58
Losses on derivative financial instruments	36	79
Other investment expenses	0	0
Net investment income	4,699	4,789

(Note) ¥12,935 million gains on valuation of securities for the fiscal year ended March 31, 2017 include ¥3,332 million reversal for gains on valuation of securities, while ¥11,123 million losses on valuation of securities include ¥9,643 million reversal for losses on valuation of securities, ¥9,089 million gains on valuation of securities for the fiscal year ended March 31, 2018 include ¥1,479 million reversal for gains on valuation of securities, while ¥10,856 million losses on valuation of securities include ¥9,603 million reversal for losses on valuation of securities.

●Individual variable annuities

Millions of Yen

Classification	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2018	
	Amount		Amount	
Interest, dividends, and other income	23,591		9,457	
Gains on sales of securities	54,927		33,123	
Gains on redemption of securities	—		—	
Gains on valuation of securities	93,275		53,062	
Foreign exchange gains, net	742		212	
Gains on derivative financial instruments, net	1,172		2,138	
Other investment income	13		12	
Losses on sales of securities	17,632		3,675	
Losses on redemption of securities	32		146	
Losses on valuation of securities	138,869		76,105	
Foreign exchange losses	736		286	
Losses on derivative financial instruments	1,529		508	
Other investment expenses	572		327	
Net investment income	14,348		16,958	

(Note) ¥93,275 million gains on valuation of securities for the fiscal year ended March 31, 2017 include ¥18,736 million reversal for gains on valuation of securities, while ¥138,869 million losses on valuation of securities include ¥133,979 million reversal for losses on valuation of securities, ¥53,062 million gains on valuation of securities for the fiscal year ended March 31, 2018 include ¥4,889 million reversal for gains on valuation of securities, while ¥76,105 million losses on valuation of securities include ¥74,539 million reversal for losses on valuation of securities.

e. Fair value information of securities

●Trading securities

<Individual variable insurance>

Millions of Yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Balance sheet amount	Net valuation gains (losses) included in statement of income	Balance sheet amount	Net valuation gains (losses) included in statement of income
Trading securities	61,272	8,123	59,951	6,356

<Individual variable annuities>

Millions of Yen

Classification	As of March 31, 2017		As of March 31, 2018	
	Balance sheet amount	Net valuation gains (losses) included in statement of income	Balance sheet amount	Net valuation gains (losses) included in statement of income
Trading securities	507,831	69,649	249,711	46,606

●Fair value information of money-held-in trusts for trading

<Individual variable insurance>

Omitted as there are no ending balances for March 31, 2017 and after.

<Individual variable annuities>

Omitted as there are no ending balances for March 31, 2017 and after.

f. Fair value information of derivative transactions

●Breakdown of net gains (losses) (with and without hedge accounting applied)

<Individual variable insurance>

Millions of Yen

Classification	As of March 31, 2017						As of March 31, 2018					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	—	—	—	—	—	—	—	—	—	—	—
Hedge accounting not applied	—	512	—	—	—	512	—	3,189	—	—	—	3,189
Total	—	512	—	—	—	512	—	3,189	—	—	—	3,189

(Note) The net gains (losses) without hedge accounting applied are recorded on the statements of income.

<Individual variable annuities>

Millions of Yen

Classification	As of March 31, 2017						As of March 31, 2018					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	—	—	—	—	—	—	—	—	—	—	—	—
Hedge accounting not applied	—	4,413	21,368	—	—	25,781	—	—	9,434	—	—	9,434
Total	—	4,413	21,368	—	—	25,781	—	—	9,434	—	—	9,434

(Note) The net gains (losses) without hedge accounting applied are recorded on the statements of income.

●Interest-related

<Individual variable insurance>

Omitted as there are no ending balances for March 31, 2017 and after.

<Individual variable annuities>

Omitted as there are no ending balances for March 31, 2017 and after.

●Currency-related

<Individual variable insurance>

Millions of Yen

Classification	Type	As of March 31, 2017			As of March 31, 2018				
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)		
		Over 1 year	Fair value		Over 1 year	Fair value	Over 1 year	Fair value	
Over-the-counter transactions	Foreign currency forward contracts								
	Sold	256	—	(2)	(2)	2,892	—	13	13
	(U.S. dollar)	256	—	(2)	(2)	1,194	—	4	4
	(Euro)	—	—	—	—	1,297	—	7	7
	(Australian dollar)	—	—	—	—	58	—	0	0
	(Canadian dollar)	—	—	—	—	49	—	0	0
	(British pound)	—	—	—	—	227	—	1	1
	(Swedish krona)	—	—	—	—	10	—	0	0
	(Singapore dollar)	—	—	—	—	16	—	0	0
	(Polish zloty)	—	—	—	—	21	—	0	0
	(South African rand)	—	—	—	—	14	—	0	0
	Bought	256	—	2	2	296	—	(0)	(0)
	(U.S. dollar)	256	—	2	2	202	—	(0)	(0)
	(Euro)	—	—	—	—	37	—	(0)	(0)
	(Australian dollar)	—	—	—	—	6	—	0	0
	(Canadian dollar)	—	—	—	—	9	—	(0)	(0)
	(Swiss franc)	—	—	—	—	9	—	0	0
	(British pound)	—	—	—	—	20	—	(0)	(0)
	(New Zealand dollar)	—	—	—	—	0	—	0	0
	(Swedish krona)	—	—	—	—	3	—	(0)	(0)
	(Singapore dollar)	—	—	—	—	1	—	(0)	(0)
	(Hong Kong dollar)	—	—	—	—	5	—	—	—
Total					(0)				13

(Notes) 1. Foreign exchange rates at the end of the year are based on forward rates.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under foreign currency forward contracts and are reported in yen amounts in the balance sheets, those foreign currency forward contracts are excluded from the table above.

<Individual variable annuities>

Millions of Yen

Classification	Type	As of March 31, 2017			As of March 31, 2018				
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)		
		Over 1 year	Fair value		Over 1 year	Fair value	Over 1 year	Fair value	
Over-the-counter transactions	Foreign currency forward contracts								
	Sold	2,208	—	(24)	(24)	—	—	—	—
	(U.S. dollar)	2,208	—	(24)	(24)	—	—	—	—
	(Euro)	—	—	—	—	—	—	—	—
	Bought	2,205	—	24	24	—	—	—	—
	(U.S. dollar)	2,205	—	24	24	—	—	—	—
	(Euro)	—	—	—	—	—	—	—	—
Total					(0)				—

(Notes) 1. Foreign exchange rates at the end of the year are based on forward rates.

2. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under foreign currency forward contracts and are reported in yen amounts in the balance sheets, those foreign currency forward contracts are excluded from the table above.

●Stock-related

<Individual variable insurance>

Omitted as there are no ending balances for March 31, 2017 and after.

<Individual variable annuities>

Millions of Yen

Classification	Type	As of March 31, 2017				As of March 31, 2018			
		Notional amount/ contract value		Net gains (losses)	Notional amount/ contract value		Net gains (losses)		
		Over 1 year	Fair value		Over 1 year	Fair value			
Exchange-traded transactions	Stock index futures								
	Sold	—	—	—	—	—	—	—	—
	Bought	21,368	—	(299)	(299)	9,434	—	223	223
Total					(299)				223

●Bond-related

<Individual variable insurance>

Omitted as there are no ending balances for March 31, 2017 and after.

<Individual variable annuities>

Omitted as there are no ending balances for March 31, 2017 and after.

●Others

<Individual variable insurance>

Omitted as there are no ending balances for March 31, 2017 and after.

<Individual variable annuities>

Omitted as there are no ending balances for March 31, 2017 and after.

3. Separate Account for Group Annuities

a. Entrusted fund in separate account for group annuities

Cases, hundred million yen

	As of March 31, 2017		As of March 31, 2018	
	Cases	Fair value balance	Cases	Fair value balance
First treaty	1,424	5,472	1,432	5,928
Second treaty	1	494	1	499
Total	1,425	5,967	1,433	6,427

(Notes) 1. Number of cases refers to the number of groups with positive fair value balance at each year-end.

2. Separate account first treaty involves joint management of the contract fund from more than one group annuities, while separate account second treaty involves independent management of annuity assets for each group.

b. Separate account first treaty (comprehensive account A)

●Primary portfolio and asset management plan for the fiscal year ended March 31, 2018

	%						%				
	Long-term primary portfolio						Asset management plan for the fiscal year ended March 31, 2018				
	Composition ratio	Range	Expected return	Standard deviation			Expected composition ratio	Expected return	Standard deviation		
Domestic bonds	33	13 – 53	0.50	2.39		28	0.03	1.91			
Domestic stocks	27	12 – 42	5.80	18.15		28	14.86	19.38			
Foreign bonds	13	3 – 23	2.70	10.80		15	8.69	10.76			
Foreign stocks	25	10 – 40	6.50	19.51		27	16.13	21.50			
Cash, deposits and others	2	—	0.10	0.06		2	0.00	0.05			
Total	100	—	3.71	9.50		100	9.83	11.83			

●Trend of asset management results

%

	Fiscal year ended March 31, 2017			Fiscal year ended March 31, 2018		
	Fund	Benchmark	Excess return	Fund	Benchmark	Excess return
Domestic bonds	(0.94)	(1.15)	0.22	0.96	0.90	0.06
Domestic stocks	16.11	14.69	1.41	14.46	15.87	(1.41)
	[15.74]			[17.42]		
Foreign bonds	(6.41)	(5.41)	(1.00)	4.03	4.23	(0.20)
Foreign stocks	14.09	14.51	(0.42)	10.18	8.47	1.71
Cash, deposits and others	(0.73)	(0.05)	(0.68)	(4.63)	(0.05)	(4.58)
Total	7.21	7.42	(0.21)	8.69	7.59	1.10

- (Notes) 1. Asset management results incorporate futures positions. Figures in [] exclude futures positions (except for the figures of futures deposits, and valuation gains or losses of futures).
2. Results by asset type under management by fund indicate time-weighted rates of return, while total results indicate the rate of increase in unit prices.
3. Time-weighted rates of return of cash, deposits and others include the impact of foreign exchange gains and losses in respect of "accrued income and expenses in foreign currencies" at the time trading of foreign assets was executed. This involves recording of the difference between the exchange rate on the trade date and that on the asset delivery date, as time-weighted rates of return of cash, deposits and others.
4. The above benchmark rate of return by asset type refers to percentage change of major indices which represents changes in each market.
5. The total benchmark rate of return is calculated by weighting benchmark rate of return for each asset type, by using the expected composition ratio in each fiscal year.

●Status of asset management for the fiscal year ended March 31, 2018

- Investment performance for the fiscal year ended March 31, 2018 delivered a return of 8.69%, outperforming the combined benchmark based on annual investment plans of 7.59%.
- With respect to asset allocation, the underweighted position of domestic bonds and overweighed position of domestic stocks contributed to the strong performance.
- With respect to individual asset performances, overperformance of foreign stocks made positive contributions to the overall performance.

●Trend of fair value balance by asset type

Millions of Yen, %

	As of March 31, 2017		As of March 31, 2018	
	Fair value	Composition ratio	Fair value	Composition ratio
Domestic bonds	40,325	25.9	46,242	27.8
Domestic stocks	52,464	33.7	53,477	32.1
Foreign bonds	16,214	10.4	15,232	9.1
Foreign stocks	40,218	25.8	46,418	27.9
Cash, deposits and others	6,622	4.2	5,144	3.1
Total	155,843	100.0	166,513	100.0

c. Separate account first treaty (comprehensive account S)

●Asset management results

%

Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
0.15	2.59

(Note) Results indicate the rate of increase in unit prices.

●Fair value balance

Millions of Yen

As of March 31, 2017	As of March 31, 2018
122,238	142,059

●Status of asset management for the fiscal year ended March 31, 2018

- Taking the market circumstances into consideration, asset allocation was changed in a flexible manner such as readjusting asset composition ratio based on price volatility of each asset, and liquidating assets that were judged to have high risk of price decline.
- Asset management result for the fiscal year ended March 31, 2018 was 2.59%.

Business Indicators

1. Average Policy Coverage (Individual Life Insurance)

Classification	Thousand yen	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Average policy coverage for new policies	4,296	4,498
Average policy coverage for policies in force	9,151	8,452

(Note) Average policy coverage for new policies excludes converted policies.

2. Percentage of New Policies (Compared with Beginning of the Same Fiscal Year)

Classification	%	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Individual life insurance	2.5	2.7
Individual annuities	20.6	2.8
Group insurance	0.2	0.1

(Note) Converted policies are excluded.

3. Rate of Cancellation and Expiration (Compared with Beginning of the Same Fiscal Year)

Classification	%	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Individual life insurance	4.4	4.3
Individual annuities	2.0	1.9
Group insurance	0.2	0.7

4. Average Annual Premium of New Individual Life Insurance Policy (With Monthly Payments)

Yen	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
141,382	125,334

(Note) Converted policies are excluded.

5. Mortality Rate (Primary Individual Life Insurance Policies)

a. Number of policies

%	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
6.09	6.69

b. Insurance amount

%	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
3.75	4.32

6. Incidence of Events Covered by Riders (Individual Life Insurance plus Individual Annuities)

Classification		%	
		Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Accidental death	Ratio of the number of policies	0.17	0.16
	Ratio of the amount of claims on policies	0.18	0.16
Disability	Ratio of the number of policies	0.30	0.28
	Ratio of the amount of claims on policies	0.11	0.10
Hospitalization due to accident	Ratio of the number of policies	6.53	6.77
	Ratio of the amount of claims on policies	161	164
Hospitalization due to illness	Ratio of the number of policies	78.55	81.72
	Ratio of the amount of claims on policies	1,218	1,251
Hospitalization due to adult disease	Ratio of the number of policies	23.71	24.47
	Ratio of the amount of claims on policies	526	536
Surgery due to illness or injury	Ratio of the number of policies	72.92	76.18
Surgery due to adult disease	Ratio of the number of policies	19.22	20.81

7. Percentage of Operating Expense (Operating Expenses as a Percentage of Premium Revenues)

%	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
10.5	13.1

8. The Number of Major Insurance Companies that Accepted Reinsurance Agreements

Number of insurance companies	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
9	8
[2]	[2]

(Note) Figures in [] indicate third-sector insurances paid that stipulate no coverage by policy reserves in accordance with Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

9. The Ratio of Reinsurance Premiums to Total Premiums Written by the Top Five Insurance Companies Using Reinsurance

%	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
90.7	98.6
[100.0]	[100.0]

(Note) Figures in [] indicate third-sector insurances paid that stipulate no coverage by policy reserves in accordance with Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

10. The Ratio of Insurance Companies Which Accepted Reinsurance Agreements by Ratings Assessed

Classification	%	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Over A	81.6 [100.0]	100.0 [100.0]
Over BBB	— [—]	— [—]
Others (Including no rating)	18.4 [—]	— [—]
Total	100.0 [100.0]	100.0 [100.0]

(Notes) 1. Ratings are classified as follows:

- Standard & Poor's (S&P) ratings are used as criterion, while insurers without S&P ratings are classified as "Others (Including no rating)."
 - Ratings are based on the ratings at each fiscal year-end.
2. Figures in [] indicate third-sector insurances paid that stipulate no coverage by policy reserves in accordance with Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

11. Unreceived Reinsurance Claims

Millions of Yen	
Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
134	36
[34]	[13]

(Note) Figures in [] indicate third-sector insurances paid that stipulate no coverage by policy reserves in accordance with Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

12. The Ratio of Insured Amount to Earned Premium Classified by Grounds for Third-Sector Insurance Benefits or Type of Insurance

Classification	%	
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Third-sector incidence rate	35.6	36.3
Medical care	38.7	39.0
Cancer	40.8	40.0
Nursing care	27.1	28.7
Others	30.6	31.9

(Notes) 1. Figures are classified into main categories belonging to the third-sector benefits, by type of insurance (or rider).

- Payments for insured incidents is the sum of "payments such as claims and benefits," "matching provision for reserve for outstanding claims" and "operating expenses, etc. related to claims paid."
- Earned premium is the simple average of annualized premium of the beginning-of-the-year policies in force and that of year-end policies in force.
- For the types of insurance (rider) that combine living benefits/medical coverage and death protection, etc., the portion corresponding to death protection is included in both payments for insured incidents and earned premiums.

13. Loan Interest Rates

Type of loan	General loans Prime rate (long-term prime rate loans)		Type of loan	General loans Prime rate (long-term prime rate loans)	
Fiscal year ended March 31, 2017	April 8	0.95	Fiscal year ended March 31, 2018	April 11	0.95
	May 10	0.95		May 10	0.95
	June 10	0.95		June 9	0.95
	July 8	0.90		July 11	1.00
	August 10	0.95		August 10	1.00
	September 9	0.95		September 8	1.00
	October 12	0.95		October 11	1.00
	November 10	0.95		November 10	1.00
	December 9	0.95		December 8	1.00
	January 11	0.95		January 10	1.00
	February 10	0.95		February 9	1.00
	March 10	0.95		March 9	1.00

Status of Consolidated Financial Results (Supplemental)

1. Status of Consolidated Risk-monitored Loans

Classification	Millions of Yen, %	
	As of March 31, 2017	As of March 31, 2018
Loans to bankrupt borrowers	—	—
Loans in arrears	877	909
Loans in arrears for three months or longer	0	—
Restructured loans	82	469
Total	960	1,379
[Percentage of total loans]	[0.03]	[0.04]

- (Notes) 1. 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 directly deducted. The amount of loans in arrears directly deducted for the fiscal years ended March 31, 2017 and March 31, 2018 amounted to ¥24 million and ¥22 million, respectively.
2. 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 Items 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).
3. 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.
4. 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.
5. 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.

2. Status of Insurance Claims Paying Ability of the Company and Insurance Subsidiaries (Consolidated Solvency Margin Ratio)

Items	Millions of Yen	
	As of March 31, 2017	As of March 31, 2018
Solvency margin gross amount (A)	3,466,335	3,962,535
Foundation funds and others	622,329	591,238
Reserve for price fluctuation	502,439	657,060
Contingency reserve	335,070	351,157
Unusual contingency reserve	—	—
General allowance for possible loan losses	989	831
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred unrealized gains (losses) on derivatives under hedge accounting (before income tax effect adjustments) × 90% (Multiplied by 100% if losses)	907,617	1,037,714
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	13,361	48,808
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	42,597	54,709
Excess of continued Zillmerized reserve	684,241	722,113
Qualifying subordinated debt	354,480	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—
Deduction clause	(67,589)	(70,399)
Others	70,799	69,376
Total amount of risk $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	852,499	898,743
Insurance risk R ₁	97,042	96,858
General insurance risk R ₅	—	—
Large disaster risk R ₆	—	—
Third-sector insurance risk R ₈	68,087	72,278
Insurance risk of small-amount, short-term insurer R ₉	—	—
Risk of assumed yield R ₂	204,402	200,497
Minimum guarantee risk R ₇ *	19,228	4,941
Investment risk R ₃	592,705	656,245
Operational risk R ₄	19,629	20,616
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	813.2%	881.7%

* The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

(Note) The amounts and figures in the table above are calculated based on Article 130 of the Insurance Business Act, Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No.23 of 2011.

3. Status of Insurance Claims Paying Ability of Insurance Subsidiaries (Solvency Margin Ratio)

(Medicare Life Insurance Co., Ltd.)

Millions of Yen

Items	As of March 31, 2017	As of March 31, 2018
Solvency margin gross amount (A)	59,979	54,604
Paid-in capital, etc.	44,582	34,974
Reserve for price fluctuation	92	112
Contingency reserve	1,370	1,757
General allowance for possible loan losses	—	—
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred unrealized gains (losses) on derivatives under hedge accounting (before income tax effect adjustments) × 90% (Multiplied by 100% if losses)	5,083	5,500
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	—	—
Excess of continued Zillmerized reserve	8,851	12,258
Qualifying subordinated debt	—	—
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—
Brought-in capital, etc.	—	—
Deduction clause	—	—
Others	—	—
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	3,008	3,422
Insurance risk R ₁	247	360
Third-sector insurance risk R ₈	1,015	1,275
Risk of assumed yield R ₂	15	17
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	2,586	2,834
Operational risk R ₄	115	134
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	3,987.7%	3,191.1%

(Note) Figures shown above are calculated in accordance with the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act as well as the Ministry of Finance Public Notice No. 50 of 1996.

4. Segment Information

For the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017), and the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018), segment information and its related information are omitted because there is only one business segment in the Company and its subsidiaries.

SUMITOMO LIFE INSURANCE COMPANY

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

<http://www.sumitomolife.co.jp>