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## Financial Results for the Six Months Ended September 30, 2018

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Sumitomo Life Insurance Company announces financial results for the six months ended September 30, 2018.

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[Notes]

The Financial Results are summarized English translations of the original disclosure in Japanese. Notes to the Unaudited Consolidated Financial Statements are not included in these translations.

**The Financial Results with Notes to the Unaudited Consolidated Financial Statements are scheduled to be announced later in a month.**

## 1. Unaudited Consolidated Financial Statements

### a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
<b>ASSETS:</b>		
Cash and deposits	1,448,620	1,503,502
Call loans	187,361	133,802
Monetary claims bought	283,252	265,405
Securities	29,089,625	29,784,801
Loans	3,445,029	3,703,647
Tangible fixed assets	581,239	581,292
Intangible fixed assets	283,089	281,872
Due from agents	109	64
Reinsurance receivables	2,737	1,222
Other assets	543,952	466,570
Net defined benefit assets	31,742	33,115
Deferred tax assets	140,721	146,756
Allowance for possible loan losses	(1,038)	(1,000)
<b>Total assets</b>	<b>36,036,443</b>	<b>36,901,052</b>
<b>LIABILITIES:</b>		
Policy reserves and other reserves	30,457,728	30,785,900
Reserve for outstanding claims	135,006	139,764
Policy reserves	30,087,173	30,388,194
Policyholders' dividend reserves	235,548	257,941
Reinsurance payables	8,017	9,710
Corporate bonds	545,868	528,238
Other liabilities	2,661,062	3,316,761
Payables under repurchase agreements	860,119	1,999,003
Other	1,800,943	1,317,757
Net defined benefit liabilities	11,356	13,223
Reserve for price fluctuation	657,060	714,971
Deferred tax liabilities	25,271	3,177
Deferred tax liabilities for land revaluation	13,257	13,137
<b>Total liabilities</b>	<b>34,379,623</b>	<b>35,385,119</b>
<b>NET ASSETS:</b>		
Foundation funds	100,000	50,000
Reserve for redemption of foundation funds	539,000	589,000
Reserve for revaluation	2	2
Surplus	248,102	191,531
Total funds, reserve and surplus	887,104	830,534
Net unrealized gains(losses) on available-for-sale securities	841,320	775,629
Deferred gains(losses) on derivatives under hedge accounting	(2,556)	(4,097)
Land revaluation differences	(63,710)	(64,020)
Foreign currency translation adjustments	(44,853)	(58,010)
Remeasurements of defined benefit plans	39,415	35,794
Total accumulated other comprehensive income	769,616	685,295
Non-controlling interests	99	103
<b>Total net assets</b>	<b>1,656,820</b>	<b>1,515,932</b>
<b>Total liabilities and net assets</b>	<b>36,036,443</b>	<b>36,901,052</b>

## b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Ordinary income	1,881,471	1,834,201
Insurance premiums and other	1,350,187	1,284,837
Investment income	460,862	492,091
Interest, dividends and other income	367,465	389,741
Gains on trading securities	349	118
Gains on sales of securities	36,713	55,364
Investment gains on separate accounts	50,573	30,802
Other ordinary income	70,421	57,272
Ordinary expenses	1,779,175	1,732,398
Benefits and other payments	1,047,513	975,596
Claims paid	295,037	317,429
Annuity payments	349,302	250,862
Benefits payments	165,378	182,119
Surrender benefits	210,100	193,258
Provision for policy reserves and other reserves	378,854	355,967
Provision for reserve for outstanding claims	-	3,931
Provision for policy reserves	378,835	352,017
Provision for interest on policyholders' dividend reserves	19	18
Investment expenses	83,899	119,719
Interest expenses	9,681	14,002
Losses on sales of securities	16,401	49,823
Losses on valuation of securities	729	1,594
Operating expenses	197,179	198,352
Other ordinary expenses	71,727	82,763
Ordinary profit	102,296	101,802
Extraordinary gains	167	534
Gains on disposals of fixed assets	167	534
Extraordinary losses	70,070	59,627
Losses on disposals of fixed assets	1,138	973
Impairment losses	5,021	96
Provision for reserve for price fluctuation	63,310	57,910
Payments to social responsibility reserve	600	646
Surplus before income taxes	32,394	42,709
Income taxes		
Current	25,816	24,288
Deferred	(24,217)	(15,706)
Total income taxes	1,599	8,582
Net surplus	30,794	34,126
Net surplus attributable to non-controlling interests	3	4
Net surplus attributable to the Parent Company	30,791	34,122

**c. Unaudited Consolidated Statements of Comprehensive Income**

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net surplus	30,794	34,126
Other comprehensive income(loss)	127,985	(71,092)
Net unrealized gains(losses) on available-for-sale securities	150,725	(51,214)
Deferred gains(losses) on derivatives under hedge accounting	(2,146)	(1,540)
Land revaluation differences	(0)	-
Foreign currency translation adjustments	(16,560)	(9,515)
Remeasurements of defined benefit plans	(2,678)	(3,621)
Share of other comprehensive income(loss) of associates under the equity method	(1,355)	(5,199)
Comprehensive income(loss)	158,780	(36,965)
Comprehensive income(loss) attributable to the Parent Company	158,776	(36,969)
Comprehensive income(loss) attributable to non-controlling interests	3	4



## e. Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2017

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	170,000	469,000	2	306,955	945,957
Changes in the period					
Additions to policyholders' dividend reserves				(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)
Net surplus attributable to the Parent Company				30,791	30,791
Redemption of foundation funds	(70,000)				(70,000)
Reversal of land revaluation differences				1,145	1,145
Net changes, excluding funds, reserve and surplus					
Net changes in the period	(70,000)	70,000	-	(91,717)	(91,717)
Ending balance	100,000	539,000	2	215,237	854,240

	Accumulated other comprehensive income(loss)						Non-controlling interests	Total net assets
	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)		
Beginning balance	723,897	1,703	(59,460)	(29,882)	30,700	666,958	66	1,612,983
Changes in the period								
Additions to policyholders' dividend reserves								(51,735)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(1,918)
Net surplus attributable to the Parent Company								30,791
Redemption of foundation funds								(70,000)
Reversal of land revaluation differences								1,145
Net changes, excluding funds, reserve and surplus	151,518	(2,146)	(1,145)	(18,708)	(2,678)	126,839	26	126,866
Net changes in the period	151,518	(2,146)	(1,145)	(18,708)	(2,678)	126,839	26	35,148
Ending balance	875,415	(443)	(60,605)	(48,591)	28,022	793,798	93	1,648,132

Six months ended September 30, 2018

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	100,000	539,000	2	248,102	887,104
Cumulative effect due to U.S. GAAP(ASU2016-01) used for U.S. subsidiaries				12,918	12,918
Beginning balance after reflecting U.S. GAAP(ASU2016-01) used for U.S. subsidiaries	100,000	539,000	2	261,020	900,022
Changes in the period					
Additions to policyholders' dividend reserves				(52,804)	(52,804)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	-
Payment of interest on foundation funds				(1,116)	(1,116)
Net surplus attributable to the Parent Company				34,122	34,122
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation differences				309	309
Net changes, excluding funds, reserve and surplus					
Net changes in the period	(50,000)	50,000	-	(69,488)	(69,488)
Ending balance	50,000	589,000	2	191,531	830,534

	Accumulated other comprehensive income(loss)						Non-controlling interests	Total net assets
	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)		
Beginning balance	841,320	(2,556)	(63,710)	(44,853)	39,415	769,616	99	1,656,820
Cumulative effect of change in U.S. GAAP(ASU2016-01) used for U.S. subsidiaries	(12,918)					(12,918)		-
Beginning balance after reflecting U.S. GAAP(ASU2016-01) used for U.S. subsidiaries	828,402	(2,556)	(63,710)	(44,853)	39,415	756,697	99	1,656,820
Changes in the period								
Additions to policyholders' dividend reserves								(52,804)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(1,116)
Net surplus attributable to the Parent Company								34,122
Redemption of foundation funds								(50,000)
Reversal of land revaluation differences								309
Net changes, excluding funds, reserve and surplus	(52,773)	(1,540)	(309)	(13,157)	(3,621)	(71,402)	3	(71,398)
Net changes in the period	(52,773)	(1,540)	(309)	(13,157)	(3,621)	(71,402)	3	(140,887)
Ending balance	775,629	(4,097)	(64,020)	(58,010)	35,794	685,295	103	1,515,932

## 2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2018	As of September 30, 2018
Solvency margin gross amount (A)	3,962,535	3,950,104
Foundation funds and others	591,238	564,278
Reserve for price fluctuation	657,060	714,971
Contingency reserve	351,157	354,436
Unusual contingency reserve	—	—
General allowance for possible loan losses	831	781
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	1,037,714	965,728
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	48,808	59,953
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	54,709	49,686
Excess of continued Zillmerized reserve	722,113	726,659
Qualifying subordinated debt	499,924	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—
Deduction clause	(70,399)	(55,654)
Others	69,376	69,338
Total amount of risk $\sqrt{(R_1^2 + R_5^2 + R_6 + R_9)^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	898,743	943,849
Insurance risk $R_1$	96,858	96,366
General insurance risk $R_5$	—	—
Large disaster risk $R_6$	—	—
Third-sector insurance risk $R_8$	72,278	74,342
Insurance risk of small-amount, short-term insurer $R_9$	—	—
Risk of assumed yield $R_2$	200,497	199,174
Minimum guarantee risk $R_7$ ※	4,941	4,441
Investment risk $R_3$	656,245	702,756
Operational risk $R_4$	20,616	21,541
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	881.7%	837.0%

※ 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. Non-Consolidated Financial Information

#### a. Overall Composition of Investments (General Account)

(Millions of Yen, %)

	As of March 31, 2018		As of September 30, 2018	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	1,443,490	4.7	1,509,516	4.8
Monetary claims bought	283,252	0.9	265,405	0.8
Investments in securities	24,902,898	81.5	25,720,958	81.4
Domestic bonds	13,043,393	42.7	13,191,400	41.7
Domestic stocks	1,933,967	6.3	2,001,771	6.3
Foreign securities	9,864,763	32.3	10,409,281	32.9
Foreign bonds	8,800,982	28.8	9,263,952	29.3
Other foreign securities	1,063,780	3.5	1,145,328	3.6
Other securities	60,773	0.2	118,504	0.4
Loans	2,781,305	9.1	3,054,078	9.7
Policy loans	294,742	1.0	292,247	0.9
Industrial and consumer loans	2,486,563	8.1	2,761,830	8.7
Real estate	571,641	1.9	564,600	1.8
Investment property	388,745	1.3	383,365	1.2
Deferred tax assets	154,714	0.5	159,143	0.5
Other assets	425,958	1.4	339,507	1.1
Allowance for possible loan losses	(921)	(0.0)	(832)	(0.0)
Total	30,562,340	100.0	31,612,377	100.0
Foreign currency denominated assets	9,252,661	30.3	10,059,023	31.8

Note: Real estate is recorded as the sum total of land, buildings and construction in progress.

## b. Fair Value Information of Securities (General Account)

### (1) Net Valuation Gains and Losses on Trading Securities

(Millions of Yen)

	As of March 31, 2018		As of September 30, 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)	5,251	10

Note: Although the above table includes securities in "money-held-in-trusts for trading purposes," there were no applicable amounts for March 31, 2018 and September 30, 2018.

### (2) Fair Value Information of Securities (With Fair Value except for Trading Securities)

(Millions of Yen)

	As of March 31, 2018					As of September 30, 2018				
	Book value	Fair value	Net gains (losses)	Net gains (losses)		Book value	Fair value	Net gains (losses)	Net gains (losses)	
				Gains	Losses				Gains	Losses
Held-to-maturity debt securities	1,888,273	2,202,331	314,058	314,058	(0)	1,814,520	2,113,090	298,569	298,570	(0)
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)	11,446,454	13,093,736	1,647,282	1,734,122	(86,840)
Investments in subsidiaries and affiliated companies	33,173	53,967	20,793	20,793	-	33,173	58,353	25,179	25,179	-
Available-for-sale securities	10,436,630	11,493,745	1,057,115	1,228,009	(170,894)	10,886,492	11,983,079	1,096,587	1,288,732	(192,145)
Domestic bonds	1,649,259	1,714,504	65,245	82,711	(17,466)	1,731,561	1,777,077	45,515	70,045	(24,530)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	839,403	1,878,288	1,038,884	1,054,618	(15,734)
Foreign securities	7,260,364	7,257,270	(3,094)	137,507	(140,601)	7,813,495	7,799,049	(14,446)	136,648	(151,095)
Foreign bonds	7,039,984	7,034,408	(5,576)	134,670	(140,246)	7,427,584	7,412,049	(15,534)	133,129	(148,663)
Other foreign securities	220,380	222,862	2,482	2,837	(355)	385,911	386,999	1,087	3,519	(2,431)
Other securities	44,983	58,729	13,746	13,806	(60)	94,941	116,389	21,448	21,448	(0)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	158,089	163,296	5,207	5,971	(764)
Negotiable certificates of deposit	441,100	441,084	(15)	-	(15)	249,000	248,979	(20)	-	(20)
Others	-	-	-	-	-	-	-	-	-	-
Total	23,564,872	26,906,692	3,341,819	3,557,971	(216,152)	24,180,641	27,248,259	3,067,618	3,346,605	(278,986)
Domestic bonds	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)	13,145,885	14,873,838	1,727,952	1,826,416	(98,463)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	839,403	1,878,288	1,038,884	1,054,618	(15,734)
Foreign securities	9,059,717	9,360,895	301,178	446,843	(145,665)	9,693,320	9,967,467	274,147	438,150	(164,003)
Foreign bonds	8,806,163	9,084,066	277,902	423,212	(145,309)	9,274,235	9,522,115	247,879	409,452	(161,572)
Other foreign securities	253,554	276,829	23,275	23,631	(355)	419,085	445,352	26,267	28,698	(2,431)
Other securities	44,983	58,729	13,746	13,806	(60)	94,941	116,389	21,448	21,448	(0)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	158,089	163,296	5,207	5,971	(764)
Negotiable certificates of deposit	441,100	441,084	(15)	-	(15)	249,000	248,979	(20)	-	(20)
Others	-	-	-	-	-	-	-	-	-	-

Note: The table above includes securities that are deemed appropriate 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)

	As of March 31, 2018	As of September 30, 2018
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	612,315	589,923
Available-for-sale securities	309,293	252,493
Unlisted domestic stocks (excluding over-the-counter stocks)	13,620	15,800
Unlisted foreign stocks (excluding over-the-counter stocks)	293,558	234,558
Unlisted foreign bonds	-	-
Others	2,114	2,134
Total	921,609	842,417

**c. Fair Value Information of Derivative Transactions (General Account)**

**(1) Net Gains and Losses on Derivatives**

(Millions of Yen)

	As of March 31, 2018						As of September 30, 2018					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	701	169,860	-	-	-	170,561	1,076	(170,254)	-	-	-	(169,177)
Hedge accounting not applied	-	9,956	-	-	-	9,956	-	696	10	1,121	(20)	1,808
Total	701	179,816	-	-	-	180,518	1,076	(169,557)	10	1,121	(20)	(167,369)

Notes: Net gains (losses) from derivatives with hedge accounting (fair value hedge method) applied, and net gains (losses) from derivatives with hedge accounting not applied are recorded on the statement of income.

Net gains (losses) from derivatives with hedge accounting (fair value hedge method) applied amounted to gain of ¥180,238 million and loss of ¥180,845 million as of March 31, 2018 and September 30, 2018, respectively.

**(2) Interest-related**

(Millions of Yen)

Type	As of March 31, 2018				As of September 30, 2018			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Interest rate swaps								
Receipts fixed, payments floating	32,520	29,236	40	40	32,378	25,095	1	1
Receipts floating, payments fixed	47,808	47,808	660	660	51,106	51,106	1,074	1,074
Total				701				1,076

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

**(Reference)****Interest rate swaps by contractual maturity dates**

[As of September 30, 2018]

(Millions of Yen, %)

	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)	7,283	13,982	6,090	5,022	-	-	32,378
Average fixed rate (receipt)	0.51	0.91	1.66	0.64	-	-	0.92
Average floating rate (payment)	0.22	0.56	1.66	0.62	-	-	0.70
Notional amount (receipts floating, payments fixed)	-	51,106	-	-	-	-	51,106
Average fixed rate (payment)	-	2.68	-	-	-	-	2.68
Average floating rate (receipt)	-	2.96	-	-	-	-	2.96

**(3) Currency-related**

(Millions of Yen)

Type	As of March 31, 2018				As of September 30, 2018			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Foreign currency forward contracts								
Sold	7,090,003	187,916	194,100	194,100	7,258,624	94,333	(185,058)	(185,058)
(U.S. dollar)	3,773,737	127,932	143,034	143,034	3,423,543	35,518	(134,210)	(134,210)
(Euro)	1,822,000	-	9,955	9,955	2,399,244	-	(20,358)	(20,358)
(Australian dollar)	1,195,503	59,984	35,417	35,417	1,129,287	58,814	(28,756)	(28,756)
Bought	273,894	-	(3,905)	(3,905)	204,670	-	4,910	4,910
(U.S. dollar)	170,630	-	(3,616)	(3,616)	199,399	-	4,917	4,917
(Euro)	52,083	-	(321)	(321)	5,270	-	(7)	(7)
(Australian dollar)	51,180	-	32	32	-	-	-	-
Currency swaps	26,780	26,780	615	615	37,806	37,806	(897)	(897)
(U.S. dollar)	24,326	24,326	808	808	35,351	35,351	(665)	(665)
(Euro)	2,454	2,454	(193)	(193)	2,454	2,454	(232)	(232)
Total				190,810				(181,046)

Notes: 1. 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.

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

**(4) Stock-related**

Type	As of March 31, 2018				As of September 30, 2018			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Exchange-traded transactions								
Stock index futures								
Bought	-	-	-	-	3,420	-	10	10
Total								10

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

## (5) Bond-related

(Millions of Yen)

Type	As of March 31, 2018				As of September 30, 2018			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Exchange-traded transactions								
Bond futures								
Sold	-	-	-	-	217,853	-	2,053	2,053
Bought	-	-	-	-	146,611	-	(932)	(932)
Total								1,121

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

## (6) Others

(Millions of Yen)

Type	As of March 31, 2018				As of September 30, 2018			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Over-the-counter transactions								
Multi-asset index options								
Sold								
Call	-	-	-	-	21,561	-	15	(9)
	[ - ]				[5]			
Bought								
Call	-	-	-	-	19,648	-	407	(10)
	[ - ]				[418]			
Total								(20)

Notes: 1. Option fees are shown in [ ].

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

## d. Risk-Monitored Loans

(Millions of Yen, %)

	As of March 31, 2018	As of September 30, 2018
Loans to bankrupt borrowers	-	-
Loans in arrears	909	905
Loans in arrears for three months or longer	-	-
Restructured loans	-	-
Total	909	905
(Percentage of total loans)	(0.03)	(0.03)
(Percentage of total assets)	(0.00)	(0.00)

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 as of March 31, 2018 and September 30, 2018 amounted to ¥22 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.