
Financial Results for the Fiscal Year Ended March 31, 2017
(With Notes to the Unaudited Consolidated Financial Statements)

Sumitomo Life Insurance Company announces financial results for the fiscal year ended March 31, 2017.

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[Note]

The Financial Results are summarized English translations of the original disclosure in Japanese.

1. Unaudited Consolidated Financial Statements

a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
ASSETS:		
Cash and deposits	524,140	979,462
Call loans	105,000	203,345
Monetary claims bought	206,301	230,518
Securities	26,695,820	27,878,540
Loans	2,817,173	3,642,493
Tangible fixed assets	624,054	589,710
Land	386,823	370,112
Buildings	227,635	208,730
Lease assets	2,253	3,641
Construction in progress	891	902
Other tangible fixed assets	6,451	6,323
Intangible fixed assets	326,184	301,993
Software	16,931	18,896
Goodwill	70,789	65,097
Lease assets	134	101
Other intangible fixed assets	238,329	217,898
Due from agents	77	83
Reinsurance receivables	1,422	889
Other assets	426,339	394,731
Net defined benefit assets	113	17,736
Deferred tax assets	70,939	114,575
Customers' liabilities under acceptances and guarantees	1,000	-
Allowance for possible loan losses	(1,518)	(1,211)
Total assets	31,797,049	34,352,870
LIABILITIES:		
Policy reserves and other reserves	28,363,448	29,783,141
Reserve for outstanding claims	169,100	158,838
Policy reserves	27,935,119	29,378,351
Policyholders' dividend reserves	259,228	245,951
Reinsurance payables	4,176	5,880
Corporate bonds	235,442	401,948
Other liabilities	1,123,499	1,983,295
Payables under securities borrowing transactions	597,551	702,759
Other	525,948	1,280,535
Net defined benefit liabilities	30,200	22,565
Accrued retirement benefits for directors	15	-
Reserve for price fluctuation	352,221	502,439
Deferred tax liabilities	29,658	24,555
Deferred tax liabilities for land revaluation	16,997	16,061
Acceptances and guarantees	1,000	-
Total liabilities	30,156,659	32,739,886
NET ASSETS:		
Foundation funds	200,000	170,000
Reserve for redemption of foundation funds	439,000	469,000
Reserve for revaluation	2	2
Surplus	339,926	306,955
Total funds, reserve and surplus	978,929	945,957
Net unrealized gains(losses) on available-for-sale securities	723,567	723,897
Deferred gains(losses) on derivatives under hedge accounting	-	1,703
Land revaluation differences	(64,505)	(59,460)
Foreign currency translation adjustments	(11,877)	(29,882)
Remeasurements of defined benefit plans	14,111	30,700
Total accumulated other comprehensive income	661,295	666,958
Non-controlling interests	165	66
Total net assets	1,640,390	1,612,983
Total liabilities and net assets	31,797,049	34,352,870

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Ordinary income	3,733,584	4,433,940
Insurance premiums and other	3,044,897	3,458,839
Investment income	583,773	861,239
Interest, dividends and other income	566,944	698,842
Gains on trading securities	96	1,882
Gains on sales of securities	11,845	90,746
Gains on redemption of securities	3,902	17,184
Foreign exchange gains	241	8,834
Reversal of allowance for possible loan losses	172	24
Other investment income	570	2,684
Investment gains on separate accounts	-	41,041
Other ordinary income	104,913	113,861
Ordinary expenses	3,512,544	4,244,184
Benefits and other payments	2,481,303	2,078,031
Claims paid	543,420	538,675
Annuity payments	652,505	703,742
Benefits payments	321,258	342,775
Surrender benefits	880,534	420,137
Other refunds	83,584	72,700
Provision for policy reserves and other reserves	418,262	1,412,115
Provision for reserve for outstanding claims	19,214	-
Provision for policy reserves	398,709	1,411,994
Provision for interest on policyholders' dividend reserves	337	121
Investment expenses	88,108	191,492
Interest expenses	4,758	10,657
Losses on sales of securities	4,753	42,313
Losses on valuation of securities	1,034	2,328
Losses on redemption of securities	-	4,266
Losses on derivative financial instruments	23,229	99,942
Depreciation of real estate for investments	10,660	9,170
Other investment expenses	13,993	22,814
Investment losses on separate accounts	29,678	-
Operating expenses	347,677	411,227
Other ordinary expenses	177,193	151,317
Ordinary profit	221,039	189,756
Extraordinary gains	3,558	15,895
Gains on disposals of fixed assets	3,558	15,895
Extraordinary losses	133,794	156,681
Losses on disposals of fixed assets	5,369	5,386
Impairment losses	27,711	341
Provision for reserve for price fluctuation	99,912	150,218
Payments to social responsibility reserve	800	735
Surplus before income taxes	90,803	48,970
Income taxes		
Current	61,394	51,320
Deferred	(36,718)	(58,421)
Total income taxes	24,676	(7,101)
Net surplus	66,127	56,072
Net surplus attributable to non-controlling interests	4	3
Net surplus attributable to the Parent Company	66,123	56,068

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
Net surplus	66,127	56,072
Other comprehensive income(loss)	(193,405)	617
Net unrealized gains(losses) on available-for-sale securities	(171,465)	279
Deferred gains(losses) on derivatives under hedge accounting	-	1,703
Land revaluation differences	510	(0)
Foreign currency translation adjustments	(16,574)	(16,207)
Remeasurements of defined benefit plans	360	16,589
Share of other comprehensive income(loss) of associates under the equity method	(6,236)	(1,746)
Comprehensive income(loss)	(127,277)	56,690
Comprehensive income(loss) attributable to the Parent Company	(127,281)	56,686
Comprehensive income(loss) attributable to non-controlling interests	4	3

d. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2016	Year ended March 31, 2017
I Cash flows from operating activities:		
Surplus before income taxes	90,803	48,970
Depreciation of real estate for investments	10,660	9,170
Depreciation	14,660	29,444
Impairment losses	27,711	341
Amortization of goodwill	-	3,126
Increase(Decrease) in reserve for outstanding claims	19,214	(9,617)
Increase(Decrease) in policy reserves	398,709	1,577,373
Provision for interest on policyholders' dividend reserves	337	121
Increase(Decrease) in allowance for possible loan losses	(253)	(306)
Increase(Decrease) in net defined benefit liabilities	4,808	(2,219)
Increase(Decrease) in reserve for price fluctuation	99,912	150,218
Interest, dividends and other income	(566,944)	(698,842)
Losses(Gains) on securities	68,648	(66,713)
Interest expenses	4,758	10,657
Foreign exchange losses(gains)	(527)	(8,887)
Losses(Gains) on tangible fixed assets	1,591	(5,244)
Investment losses(gains) under the equity method	5,729	(690)
Decrease(Increase) in due from agents	0	(8)
Decrease(Increase) in reinsurance receivables	(50)	490
Decrease(Increase) in other assets (excluding those related to investing and financing activities)	285	3,163
Increase(Decrease) in reinsurance payables	(0)	1,838
Increase(Decrease) in other liabilities (excluding those related to investing and financing activities)	93,038	21,159
Others, net	(24,853)	68,640
Subtotal	248,241	1,132,186
Interest, dividends and other income received	641,384	784,086
Interest paid	(4,762)	(11,270)
Policyholders' dividends paid	(66,829)	(64,947)
Others, net	(800)	(735)
Income taxes paid	(46,365)	(66,030)
Net cash provided by operating activities	770,867	1,773,290
II Cash flows from investing activities:		
Net decrease(increase) in deposits	(155,396)	(237,082)
Purchase of monetary claims bought	(288,593)	(183,092)
Proceeds from sales and redemption of monetary claims bought	328,463	149,787
Purchase of securities	(3,525,600)	(5,581,632)
Proceeds from sales and redemption of securities	3,022,069	4,290,915
Loans made	(246,552)	(1,253,566)
Proceeds from collection of loans	363,586	388,211
Others, net	276,280	692,436
Total investment activities (II a)	(225,745)	(1,734,022)
[I + II a]	[545,122]	[39,268]
Purchase of tangible fixed assets	(14,740)	(14,053)
Proceeds from sales of tangible fixed assets	15,509	39,879
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(430,171)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	626	-
Others, net	(8,243)	(13,538)
Net cash used in investing activities	(662,765)	(1,721,735)
III Cash flows from financing activities:		
Proceeds from issuance of debt	-	34,947
Proceeds from issuance of corporate bonds	-	205,000
Redemption of corporate bonds	-	(34,947)
Redemption of foundation funds	(70,000)	(30,000)
Payment of interest on foundation funds	(3,371)	(2,445)
Others, net	(1,117)	(4,626)
Net cash provided by (used in) financing activities	(74,488)	167,927
IV Effect of foreign exchange rate changes on cash and cash equivalents	(5)	(1,222)
V Net increase(decrease) in cash and cash equivalents	33,607	218,260
VI Cash and cash equivalents at the beginning of the year	52,724	86,331
VII Cash and cash equivalents at the end of the year	86,331	304,592

e. Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016

(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	270,000	369,000	2	402,827	1,041,829
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(59,358)	(59,358)
Additions to reserve for redemption of foundation funds		70,000		(70,000)	-
Payment of interest on foundation funds				(3,371)	(3,371)
Net surplus attributable to the Parent Company				66,123	66,123
Redemption of foundation funds	(70,000)				(70,000)
Reversal of land revaluation differences				3,705	3,705
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	(70,000)	70,000	-	(62,900)	(62,900)
Ending balance	200,000	439,000	2	339,926	978,929

	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		
Beginning balance	896,074	-	(61,310)	9,891	13,750	858,406	60	1,900,296
Changes in the fiscal year								
Additions to policyholders' dividend reserves								(59,358)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(3,371)
Net surplus attributable to the Parent Company								66,123
Redemption of foundation funds								(70,000)
Reversal of land revaluation differences								3,705
Net changes, excluding funds, reserve and surplus	(172,507)	-	(3,195)	(21,769)	360	(197,110)	105	(197,005)
Net changes in the fiscal year	(172,507)	-	(3,195)	(21,769)	360	(197,110)	105	(259,905)
Ending balance	723,567	-	(64,505)	(11,877)	14,111	661,295	165	1,640,390

Year ended March 31, 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	200,000	439,000	2	339,926	978,929
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(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)
Net surplus attributable to the Parent Company				56,068	56,068
Redemption of foundation funds	(30,000)				(30,000)
Reversal of land revaluation differences				(5,045)	(5,045)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	(30,000)	30,000	-	(32,971)	(32,971)
Ending balance	170,000	469,000	2	306,955	945,957

	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		
Beginning balance	723,567	-	(64,505)	(11,877)	14,111	661,295	165	1,640,390
Changes in the fiscal year								
Additions to policyholders' dividend reserves								(51,548)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(2,445)
Net surplus attributable to the Parent Company								56,068
Redemption of foundation funds								(30,000)
Reversal of land revaluation differences								(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	329	1,703	5,045	(18,004)	16,589	5,663	(98)	(27,406)
Ending balance	723,897	1,703	(59,460)	(29,882)	30,700	666,958	66	1,612,983

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Fiscal Year Ended March 31, 2017

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 21 as of March 31, 2017.

The major subsidiaries as of March 31, 2017 were 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)
Symetra Financial Corporation (U.S.A.)

Three subsidiaries of Symetra Financial Corporation were excluded from the scope of the consolidation due to completion of liquidation in the fiscal year ended March 31, 2017.

2. Affiliates

The number of affiliates under the equity method was 8 as of March 31, 2017.

The major affiliates as of March 31, 2017 were listed as follows:

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

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.

3. Fiscal year-end of consolidated subsidiary

The fiscal year-end of CSS Co., Ltd is March 25. SUMITOMO LIFE INSURANCE COMPANY ("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 ending 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 Company uses the foreign subsidiaries' financial statements as of their fiscal year-end with adjustments for material transactions between their fiscal year-end and the Company's fiscal year-end.

4. 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.

Notes to the Unaudited Consolidated Balance Sheet as of March 31, 2017

1. 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 the 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 below) 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 in March, 2017. The other available-for-sale securities with determinable readily market values are stated at the market value on the balance sheet date. Available-for-sale securities for which determination of the fair value is impracticable are stated 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.
2. 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 insurance, 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. Derivatives are stated at the fair value.
4. 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.

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

1) Buildings

Calculated using the straight-line method.

2) Lease assets related to financial leases where ownership is not transferred

Calculated using the straight-line method over the lease period.

3) Other tangible fixed assets

Calculated using the declining-balance method.

6. 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 rates 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.

7. 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 year was ¥38 million.

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.

8. Net defined benefit liabilities, supposed to be incurred as of March 31, 2017, are provided based on the projected benefit obligations and plan assets as of the balance sheet date.

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

Method of attributing benefits to period of service	Benefits formula basis
Amortization period for actuarial losses (Commencing in the following fiscal year after they are incurred)	8 years

The following items provide detailed information for 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 year ended March 31, 2017 were as follows:

	Millions of Yen
At the beginning of the fiscal year	304,042
Service costs	13,247
Interest costs on projected benefit obligations	4,388
Actuarial losses	2,617
Benefits paid	(21,490)
Others	99
At the end of the fiscal year	302,904

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

	Millions of Yen
At the beginning of the fiscal year	273,955
Expected return on plan assets	2,456
Actuarial gains	20,947
Contribution by employer	10,490
Benefits paid	(9,783)
Others	9
At the end of the fiscal year	298,076

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

	Millions of Yen
Present value of funded obligations	301,386
Plan assets at fair value	(298,076)
Net present value of funded obligations	3,309
Present value of unfunded obligations	1,518
Net value on the balance sheet	4,828
Net defined benefit liabilities	22,565
Net defined benefit assets	(17,736)
Net value on the balance sheet	4,828

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

	Millions of Yen
Service costs	13,247
Interest costs on projected benefit obligations	4,388
Expected return on plan assets	(2,456)
Amortization of net actuarial losses	4,708
Others	108
Retirement benefit expenses	19,997

e) Major components of other comprehensive income and accumulated other comprehensive income

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

	Millions of Yen
Actuarial gains	23,039
Total	23,039

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

	Millions of Yen
Unrecognized actuarial gains	42,597
Total	42,597

f) The plan assets

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

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

44% of the plan assets were the retirement benefit trusts.

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 performances and the market environment.

h) Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the year ended March 31, 2017 were as follows:

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

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥1,742 million for the fiscal year ended March 31, 2017.

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

10. Under accounting principles generally accepted in Japan ("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 rate 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.

11. 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 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:

1) For contracts which are subject to the standard policy reserve requirements, premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).

2) For contracts which are not subject to the standard policy reserve requirements, premium reserves are calculated using the net level premium method.

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

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 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.)

13. 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.

14. 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 will be adopted from the fiscal year ending March 31, 2018. Preparing for the adoption, the financial statements for the fiscal year ended March 31, 2017 are 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).

15. Qualitative information on financial instruments and fair value of financial instruments are as follows:

1) Qualitative information on financial instruments

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

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

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to market risk since certain loans, similarly 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.

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 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 addition, monitoring of the value fluctuations is conducted on a daily basis to correspond to changes in the fair value of the asset and liability portfolio.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial 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 sheet, the fair values and their differences of financial instruments as of March 31, 2017.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Cash and deposits	979,462	979,462	—
[Available-for-sale securities] * ¹	[609,980]	[609,980]	—
Call loans	203,345	203,345	—
Monetary claims bought	230,518	231,958	1,439
[Available-for-sale securities] * ¹	[196,810]	[196,810]	—
Securities * ²	27,435,828	29,783,254	2,347,425
Trading securities	1,230,072	1,230,072	—
Held-to-maturity debt securities	2,004,475	2,376,784	372,309
Policy-reserve-matching bonds	11,088,673	13,056,296	1,967,623
Investments in unconsolidated subsidiaries and affiliated companies	28,261	35,754	7,493
Available-for-sale securities	13,084,346	13,084,346	—
Loans	3,642,493		
Allowance for possible loan losses * ³	(990)		
	3,641,503	3,671,423	29,920
Corporate bonds	401,948	413,095	11,147
Payables under securities borrowing transactions	702,759	702,759	—
Derivative transactions * ⁴	(244,328)	(244,328)	—
Hedge accounting not applied	(3,420)	(3,420)	—
Hedge accounting applied	(240,908)	(240,908)	—

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

*² This table does not include financial instruments for which the fair values are not practically determinable, such as unlisted securities. The consolidated balance sheet amount of these securities was ¥442,711 million as of March 31, 2017.

*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: The Company's valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

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

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

2) Monetary claims bought

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

3) Securities

As for stocks with the market prices, the fair value is measured mainly based on the average market price in March, 2017.

As for the other securities with the market prices, the fair value is measured based on the closing market price 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 legally or substantially bankrupt borrowers and borrowers likely to become bankrupt, the fair value is, 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 price 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

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

The fair values of foreign currency forward contracts and currency swaps under the allocation method are included in the fair values of related securities, loans and corporate bonds since they are accounted for as integrated transactions.

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.

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

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

1) Held-to-maturity debt securities

		Millions of Yen		
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	496,961	539,673	42,712
	Foreign securities (bonds)	1,506,014	1,835,726	329,712
Fair value does not exceed the balance sheet amount	Bonds	1,498	1,383	(115)
	Foreign securities (bonds)	—	—	—
Total		2,004,475	2,376,784	372,309

2) Policy-reserve-matching bonds

		Millions of Yen		
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,370,228	12,390,054	2,019,825
	Foreign securities (bonds)	93,773	97,379	3,606
Fair value does not exceed the balance sheet amount	Bonds	593,160	537,900	(55,260)
	Foreign securities (bonds)	31,511	30,962	(548)
Total		11,088,673	13,056,296	1,967,623

The following tables show the acquisition costs or amortized costs, the carrying amounts in the consolidated balance sheet and their differences of available-for-sale securities as of March 31, 2017.

3) Available-for-sale securities

Millions of Yen				
	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
	Negotiable certificates of deposit	—	—	—
Balance sheet amount exceeds acquisition cost or amortized cost	Monetary claims bought	128,437	134,786	6,349
	Bonds	1,220,923	1,310,173	89,250
	Stocks	684,098	1,492,891	808,793
	Foreign securities	4,614,584	4,865,250	250,666
	Foreign bonds	4,515,556	4,755,954	240,397
	Other foreign securities	99,027	109,295	10,268
	Other securities	102,526	116,596	14,070
	Balance sheet amount does not exceed acquisition cost or amortized cost	Negotiable certificates of deposit	610,000	609,980
Monetary claims bought		62,499	62,024	(475)
Bonds		355,814	350,593	(5,220)
Stocks		100,310	91,997	(8,312)
Foreign securities		4,986,431	4,832,612	(153,818)
Foreign bonds		4,938,183	4,785,275	(152,908)
Other foreign securities		48,247	47,337	(909)
Other securities		24,895	24,229	(665)
	Total	12,890,520	13,891,137	1,000,616

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
Cash and 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	—	—	—

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.

16. The carrying amount for investment and rental properties was ¥403,242 million, and its fair value was ¥444,111 million as of March 31, 2017. 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 amount of ¥1,360 million as of March 31, 2017.
17. As of March 31, 2017, the aggregate amount of risk-monitored loans, which was comprised of loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer and restructured loans, was ¥960 million. The details are as follows:
- The amount of loans to bankrupt borrowers was nil and the amount of loans in arrears was ¥877 million.
- The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet was ¥24 million for loans in arrears.
- Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikeliness of repayments of principal or payments of 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 and loans of which interest payments are postponed in order to support the borrowers' recovery from financial difficulties. Loans in arrears also represent non-accrual loans to substantially bankrupt borrowers or

borrowers likely to become bankrupt in self-assessment of asset quality.

The amount of loans in arrears for three months or longer was ¥0 million.

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

The amount of restructured loans was ¥82 million.

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 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.

18. Accumulated depreciation of tangible fixed assets amounted to ¥416,891 million as of March 31, 2017.
19. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥1,243,010 million as of March 31, 2017. The total amount of separate account liabilities was the same as this.
20. Changes in policyholders' dividend reserves for the fiscal year ended March 31, 2017 were as follows:

	Millions of Yen
Balance at the beginning of the fiscal year	259,228
Transfer from surplus in the previous fiscal year	51,548
Dividend payments to policyholders during the fiscal year	(64,947)
Interest accrued during the fiscal year	121
Balance at the end of the fiscal year	245,951

21. Total amount of investments in affiliates was ¥71,505 million as of March 31, 2017.
22. Assets pledged as collateral were securities in the amount of ¥1,148,005 million as of March 31, 2017.
23. The Company redeemed ¥30,000 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.
24. Securities loaned under security lending agreements amounted to ¥1,676,673 million as of March 31, 2017.
25. 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 was ¥80,949 million, and none of the securities was pledged as collateral as of March 31, 2017.
26. The amount of loan commitments outstanding was ¥17,836 million as of March 31, 2017.

27. The amount of corporate bonds in liabilities included ¥371,991 million of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2017.
28. The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥40,989 million as of March 31, 2017, pursuant to Article 259 of the Insurance Business Act.
The contributions are recognized as operating expenses when they are made.

29. Deferred tax assets/liabilities as of March 31, 2017 were recognized as follows:

	Millions of Yen
Deferred tax assets	554,051
Valuation allowance for deferred tax assets	(22,984)
Subtotal	531,066
Deferred tax liabilities	(441,045)
Net deferred tax assets	90,020

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

	Millions of Yen
Deferred tax assets	
Policy reserves and other reserves	280,816
Reserve for price fluctuation	140,479
Net defined benefit liabilities	46,038
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(282,775)
Other intangible fixed assets	(70,130)

The actual effective income tax rate was (14.5)% for the fiscal year ended March 31, 2017. Major components in the difference with the statutory effective income tax rate of 28.20% as of March 31, 2017 were as follows:

Policyholders' dividend reserves	(30.3)%
Investment tax credits of foreign consolidated subsidiaries	(12.3)%

Notes to the Unaudited Consolidated Statement of Income for the Fiscal Year Ended March 31, 2017

1. The details of the Company's impairment losses on fixed assets were as follows:

Accumulated impairment losses on fixed assets are directly deducted 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.

For real estate for investment and idle assets, each item is treated as an independent asset group for the impairment test.

2) Description of impairment losses recognized

For the fiscal year ended March 31, 2017, the Company recognized impairment losses on real estate for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in 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 statement of income.

3) Breakdown of impairment losses for the fiscal year ended March 31, 2017

Asset Group	Asset Category	Millions of Yen
Real estate for investment	Land and buildings	226
Idle assets	Land and buildings	115
Total		341

4) The recoverable amount

The recoverable amounts of real estate for investment are determined at net realizable value or value in use. The recoverable amounts for idle assets are 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 future cash flows discounted at 5.0%.

Notes to the Unaudited Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2017

1. The components of other comprehensive income for the fiscal year ended March 31, 2017 were as follows:

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

	Millions of Yen
<hr/>	
Net unrealized gains(losses) on available-for-sale securities:	
Amount arising during the fiscal year	(15,674)
Reclassification adjustments	18,263
Before income tax effect adjustments	<u>2,589</u>
Income tax effects	<u>(2,309)</u>
Net unrealized gains(losses) on available-for-sale securities	<u>279</u>
<hr/>	
Deferred gains(losses) on derivatives under hedge accounting:	
Amount arising during the fiscal year	4,389
Reclassification adjustments	(1,715)
Before income tax effect adjustments	<u>2,674</u>
Income tax effects	<u>(971)</u>
Deferred gains(losses) on derivatives under hedge accounting	<u>1,703</u>
<hr/>	
Land revaluation differences:	
Amount arising during the fiscal year	—
Reclassification adjustments	—
Before income tax effect adjustments	<u>—</u>
Income tax effects	<u>(0)</u>
Land revaluation differences	<u>(0)</u>
<hr/>	
Foreign currency translation adjustments:	
Amount arising during the fiscal year	(16,207)
Reclassification adjustments	—
Before income tax effect adjustments	<u>(16,207)</u>
Income tax effects	<u>—</u>
Foreign currency translation adjustments	<u>(16,207)</u>

Remeasurements of defined benefit plans:	
Amount arising during the fiscal year	18,330
Reclassification adjustments	4,708
Before income tax effect adjustments	23,039
Income tax effects	(6,449)
Remeasurements of defined benefit plans	16,589
Share of other comprehensive income of associates under the equity method:	
Amount arising during the year	(1,603)
Reclassification adjustments	(142)
Share of other comprehensive income of associates under the equity method	(1,746)
Total other comprehensive income	617

Notes to the Unaudited Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2017

1. In the consolidated statement 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.
2. Reconciliation of cash and deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2017 was as follows:

	Millions of Yen
Cash and deposits	979,462
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(673,729)
Restricted cash of foreign consolidated subsidiaries	(1,140)
Short-term investment securities of foreign consolidated subsidiaries	0
Cash and cash equivalents	304,592

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2016	As of March 31, 2017
Solvency margin gross amount (A)	3,008,173	3,466,335
Foundation funds and others	624,723	622,329
Reserve for price fluctuation	352,221	502,439
Contingency reserve	323,583	335,070
Unusual contingency reserve	-	-
General allowance for possible loan losses	1,018	989
(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)	902,773	907,617
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	(12,174)	13,361
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	19,558	42,597
Excess of continued Zillmerized reserve	645,885	684,241
Qualifying subordinated debt	149,480	354,480
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(70,994)	(67,589)
Others	72,100	70,799
Total amount of risk $\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	753,288	852,499
Insurance risk R_1	98,046	97,042
General insurance risk R_5	-	-
Large disaster risk R_6	-	-
Third-sector insurance risk R_8	64,959	68,087
Insurance risk of small-amount, short-term insurer R_9	-	-
Risk of assumed yield R_2	210,145	204,402
Minimum guarantee risk R_7^{**}	34,880	19,228
Investment risk R_3	472,368	592,705
Operational risk R_4	17,608	19,629
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	798.6%	813.2%

※ 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, 2016		As of March 31, 2017	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	448,860	1.7	1,007,015	3.5
Monetary claims bought	206,301	0.8	230,518	0.8
Investments in securities	22,063,959	85.0	23,614,509	82.0
Domestic bonds	12,982,825	50.0	12,961,892	45.0
Domestic stocks	1,438,497	5.5	1,700,608	5.9
Foreign securities	7,600,287	29.3	8,809,343	30.6
Foreign bonds	6,677,711	25.7	7,839,217	27.2
Other foreign securities	922,576	3.6	970,125	3.4
Other securities	42,349	0.2	142,666	0.5
Loans	2,196,475	8.5	2,972,689	10.3
Policy loans	314,654	1.2	303,290	1.1
Industrial and consumer loans	1,881,821	7.3	2,669,398	9.3
Real estate	614,369	2.4	578,811	2.0
Investment property	429,136	1.7	401,966	1.4
Deferred tax assets	75,322	0.3	124,609	0.4
Other assets	351,018	1.4	277,239	1.0
Allowance for possible loan losses	(1,502)	(0.0)	(1,132)	(0.0)
Total	25,954,805	100.0	28,804,261	100.0
Foreign currency denominated assets	5,725,806	22.1	7,367,770	25.6

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

No net valuation gains and losses as of March 31, 2016 or March 31, 2017.

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

(Millions of Yen)

	As of March 31, 2016					As of March 31, 2017				
	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	2,041,222	2,440,281	399,058	399,058	-	1,942,014	2,303,448	361,434	361,434	-
Policy-reserve-matching bonds	11,339,015	13,821,953	2,482,938	2,483,535	(597)	11,088,673	13,056,296	1,967,623	2,023,431	(55,808)
Investments in subsidiaries and affiliated companies	33,173	30,947	(2,226)	-	(2,226)	33,173	35,754	2,580	2,580	-
Available-for-sale securities	7,240,388	8,225,320	984,931	1,023,014	(38,082)	9,405,982	10,375,805	969,822	1,103,170	(133,348)
Domestic bonds	1,184,247	1,278,218	93,970	94,116	(145)	1,484,122	1,562,503	78,381	83,050	(4,668)
Domestic stocks	776,568	1,346,271	569,703	599,181	(29,477)	784,201	1,584,632	800,430	808,738	(8,307)
Foreign securities	4,722,636	5,020,859	298,222	304,894	(6,672)	6,209,300	6,281,051	71,751	190,963	(119,211)
Foreign bonds	4,703,936	5,002,079	298,143	304,459	(6,315)	6,136,882	6,207,918	71,036	190,150	(119,114)
Other foreign securities	18,700	18,779	78	435	(356)	72,417	73,132	714	812	(97)
Other securities	32,812	40,905	8,093	9,858	(1,765)	127,421	140,826	13,404	14,070	(665)
Monetary claims bought	155,622	170,586	14,963	14,963	(0)	190,936	196,810	5,874	6,349	(475)
Negotiable certificates of deposit	368,500	368,478	(21)	-	(21)	610,000	609,980	(19)	-	(19)
Others	-	-	-	-	-	-	-	-	-	-
Total	20,653,800	24,518,502	3,864,702	3,905,609	(40,906)	22,469,844	25,771,305	3,301,461	3,490,618	(189,156)
Domestic bonds	12,888,854	15,503,294	2,614,440	2,614,647	(207)	12,883,510	14,958,180	2,074,669	2,134,598	(59,928)
Domestic stocks	776,568	1,346,271	569,703	599,181	(29,477)	784,201	1,584,632	800,430	808,738	(8,307)
Foreign securities	6,431,442	7,088,965	657,522	666,957	(9,434)	7,873,773	8,280,876	407,102	526,862	(119,760)
Foreign bonds	6,379,567	7,039,238	659,670	666,522	(6,851)	7,768,181	8,171,988	403,806	523,468	(119,662)
Other foreign securities	51,874	49,727	(2,147)	435	(2,582)	105,591	108,887	3,295	3,393	(97)
Other securities	32,812	40,905	8,093	9,858	(1,765)	127,421	140,826	13,404	14,070	(665)
Monetary claims bought	155,622	170,586	14,963	14,963	(0)	190,936	196,810	5,874	6,349	(475)
Negotiable certificates of deposit	368,500	368,478	(21)	-	(21)	610,000	609,980	(19)	-	(19)
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, 2016	As of March 31, 2017
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	581,258	604,907
Available-for-sale securities	372,326	369,119
Unlisted domestic stocks (excluding over-the-counter stocks)	15,599	15,701
Unlisted foreign stocks (excluding over-the-counter stocks)	355,258	351,558
Unlisted foreign bonds	-	-
Others	1,468	1,859
Total	953,585	974,026

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

(1) Net Gains and Losses on Derivatives

(Millions of Yen)

	As of March 31, 2016						As of March 31, 2017					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	929	21,443	-	-	-	22,372	268	(254,479)	-	-	-	(254,210)
Hedge accounting not applied	(1,455)	4,476	311	-	-	3,332	(630)	(21,547)	1,741	-	-	(20,437)
Total	(525)	25,920	311	-	-	25,705	(361)	(276,026)	1,741	-	-	(274,647)

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 ¥20,770 million and loss of ¥255,228 million as of March 31, 2016 and March 31, 2017, respectively.

(2) Interest-related

(Millions of Yen)

Type	As of March 31, 2016				As of March 31, 2017			
	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	49,532	33,828	929	929	48,828	32,520	268	268
Interest rate swaptions								
Bought								
Receipts floating, payments fixed	290,000	170,000	167	(1,455)	170,000	-	4	(630)
	[1,622]				[635]			
Total				(525)				(361)

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

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

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

[As of September 30, 2017]

(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)	16,308	12,985	8,455	11,070	10	-	48,828
Average fixed rate (receipt)	1.74	0.69	0.91	1.20	0.86	-	1.20
Average floating rate (payment)	0.24	0.23	0.79	1.20	0.56	-	0.55

(3) Currency-related

(Millions of Yen)

Type	As of March 31, 2016				As of March 31, 2017			
	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	4,544,584	403,200	21,535	21,535	5,685,242	321,272	(271,315)	(271,315)
(U.S. dollar)	2,019,291	146,484	90,937	90,937	3,274,262	233,885	(142,981)	(142,981)
(Euro)	1,186,443	-	(2,158)	(2,158)	1,172,994	-	(5,818)	(5,818)
(Australian dollar)	1,217,351	256,715	(75,498)	(75,498)	1,055,090	87,387	(115,829)	(115,829)
Bought	154,357	-	4,180	4,180	527,011	-	(5,240)	(5,240)
(U.S. dollar)	3,346	-	(0)	(0)	526,915	-	(5,241)	(5,241)
(Euro)	151,010	-	4,180	4,180	-	-	-	-
Currency options								
Sold								
Call	360,000	-			-	-		
[U.S. dollar]	[2,225]		1,063	1,161	[-]		-	-
(U.S. dollar)	360,000	-			-	-		
[U.S. dollar]	[2,225]		1,063	1,161	[-]		-	-
Bought								
Put	303,000	-			54,750	-		
[U.S. dollar]	[2,453]		823	(1,629)	[397]		177	(219)
(U.S. dollar)	303,000	-			54,750	-		
[U.S. dollar]	[2,453]		823	(1,629)	[397]		177	(219)
Currency swaps								
(U.S. dollar)	-	-	-	-	26,780	26,780	(574)	(574)
(Euro)	-	-	-	-	24,326	24,326	(614)	(614)
(Euro)	-	-	-	-	2,454	2,454	40	40
Total				25,247				(277,350)

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.

3. Net gains (losses) represent the fair values for foreign currency forward contracts and currency swaps, and the difference between the option fees and the fair values for currency options.

(4) Stock-related

(Millions of Yen)

Type	As of March 31, 2016				As of March 31, 2017			
	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								
Sold	131,563	-	(1,394)	(1,394)	98,753	-	1,741	1,741
Over-the-counter transactions								
Stock index forwards								
Sold	42,600	-	2,188	2,188	-	-	-	-
Stock index options								
Sold								
Call	155,208 [1,543]	-	953	590	- [-]	-	-	-
Bought								
Put	99,999 [1,541]	-	467	(1,073)	- [-]	-	-	-
Total				311				1,741

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

2. Net gains (losses) represent the fair values for future tradings and forward tradings and the difference between the option fees and the fair values for option transactions.

d. Risk-Monitored Loans

(Millions of Yen, %)

	As of March 31, 2016	As of March 31, 2017
Loans to bankrupt borrowers	-	-
Loans in arrears	980	877
Loans in arrears for three months or longer	1	0
Restructured loans	-	-
Total	982	877
(Percentage of total loans)	(0.04)	(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, 2016 and March 31, 2017 amounted to ¥29 million and ¥24 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.