

Empowering your future



Annual Report **2019**



SUMITOMO LIFE in Numbers

(As of March 31, 2019)

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:

112 years

Number of Sales Representatives*¹:

31,981

Overview of Policies

Annualized Premiums from Policies in Force*²

\$25.0 billion

Annualized Premiums from New Policies*²

\$1.8 billion

Status of Profit

Core Business Profit*³

\$3.5 billion

Total Assets*⁴

\$340.6 billion

Embedded Value*²

\$33.3 billion

Solvency Margin Ratio*⁴

915.6%

*1 Sumitomo Life *2 Total of Sumitomo Life, Medicare Life and Symetra *3 Core business profit of the Group, excluding the impact of standard policy reserves concerning the minimum guarantees for variable annuities, etc. Core business profit of the Group 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.

*4 On consolidated basis

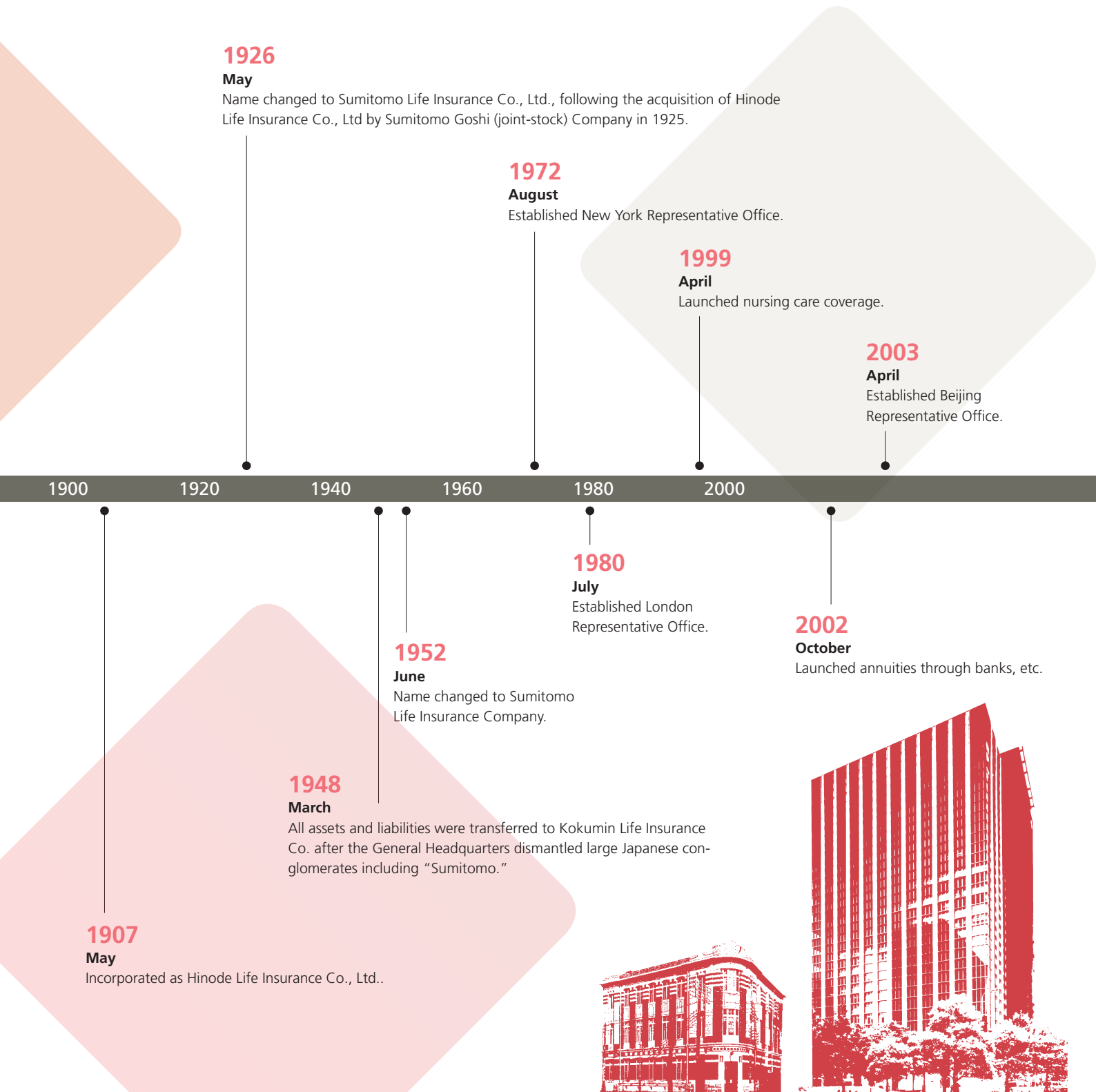
Note: US\$1.00 = ¥110.99, as of March 31, 2019.



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 112 years of its establishment.



2005

November

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

2019

January

Started business alliance with Sony Life Insurance Co., Ltd.

June

Invested in Singapore Life Pte. Ltd. (Singapore)

2011

March

Launched "W Stage," providing more comprehensive nursing care and medical insurance coverage.

December

Established Hanoi (Vietnam) Representative Office.

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.

2015

July

Transitioned to a Company with Committees.

September

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

2007

May

100th anniversary of foundation.

2005

2010

2015



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.

2018

April

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

July

Launched SUMITOMO LIFE Vitality Shared-Value Insurance.

October

Reached basic agreement on business alliance with AXA Life Insurance Co., Ltd.

2010

April

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

2016

February

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

July

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



EMPOWERING YOUR Future



From the perspective of customers:

Recommended company

CONTENTS

- 07** Our Mission, Vision and Values
- 11** Message from the President
- 15** Japan Vitality Project
- 17** Sumitomo Life Medium-Term Business Plan 2019
- 19** Review of Operations
 - 19** Individual Life Insurance and Annuities
 - 20** Operating Results
 - 22** Financial Strength
 - 24** European Embedded Value (EEV)
 - 25** Multi-Channel, Multi-Product Strategy
 - 30** Overseas Operations
 - 32** Asset Management (General Account)
- 34** Corporate Governance
- 37** Corporate Information
- 39** Creation of Affluent Society
- 42** Financial Section





From the perspective of employees:

**Fulfilling
company**



From the perspective of society:

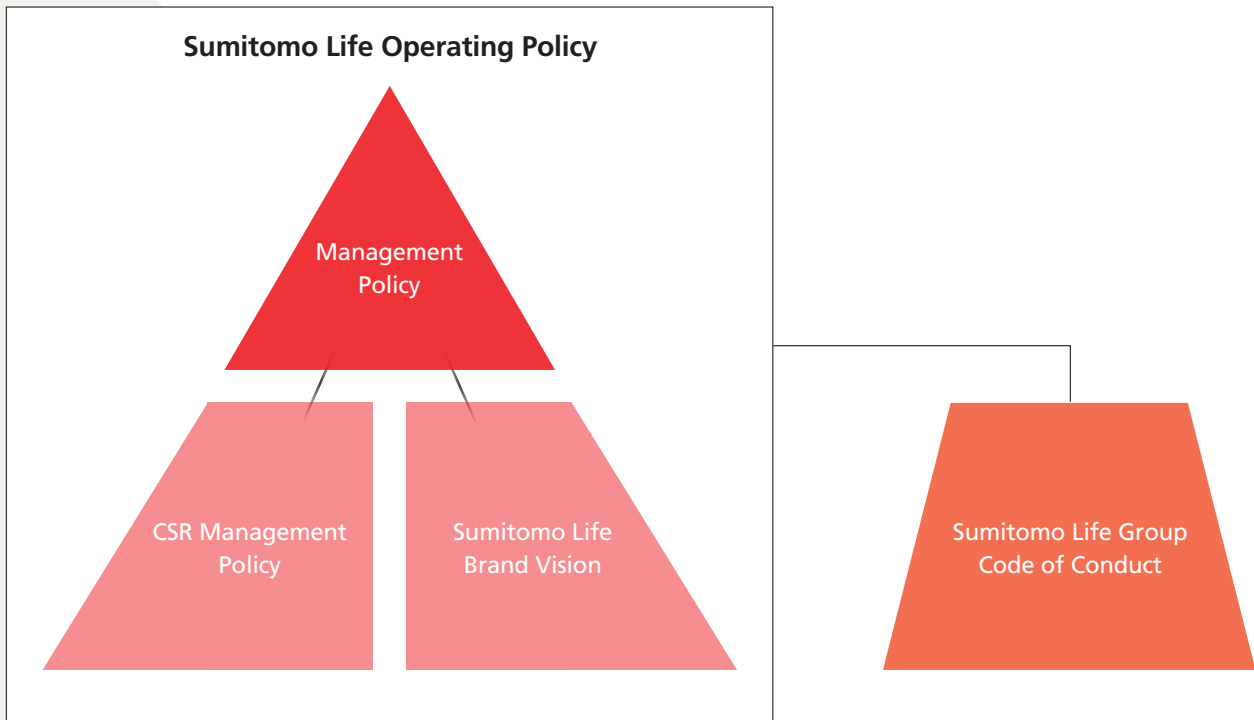
**Indispensable
company**



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

Sumitomo Life has established the “CSR Management Policy” as one of its management policies, and promotes CSR management.

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

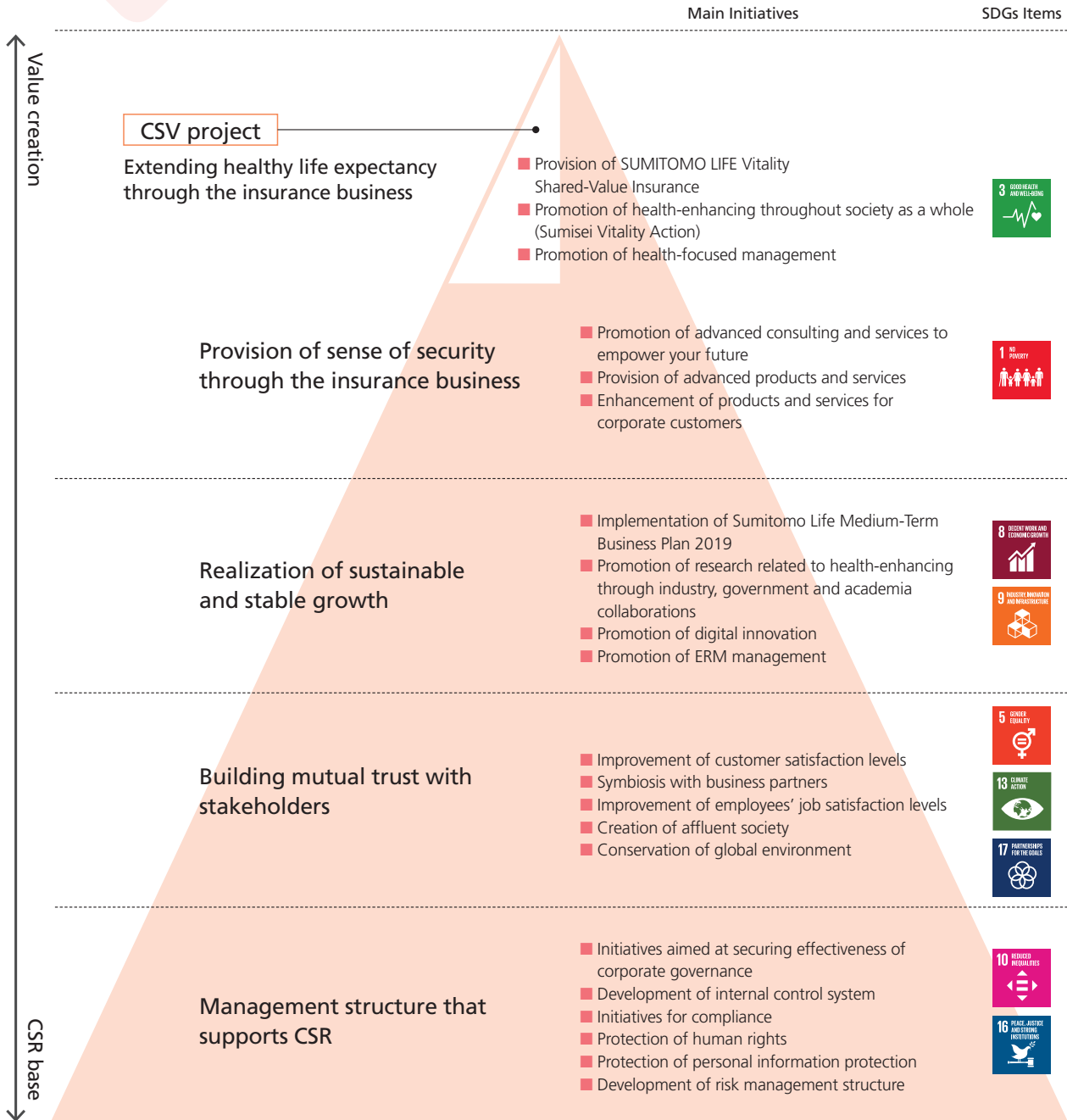
We recognize our role and responsibility as a member of society, and will contribute to the creation of a healthy and enriched society, as well as the development of regional societies and the international society.

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.

In view of the global trend surrounding CSR, the Company formulated a list of five items (key items of CSR) that are important in the promotion of CSR management, and linked each item to related SDGs in 2018. In addition, the Company expressed its approval of the recommendations of the “Task Force on Climate-related Financial Disclosures” established by the Financial Stability Board in March 2019, and signed the United Nation’s Principles for Responsible Investment in April 2019.

Key Items of CSR

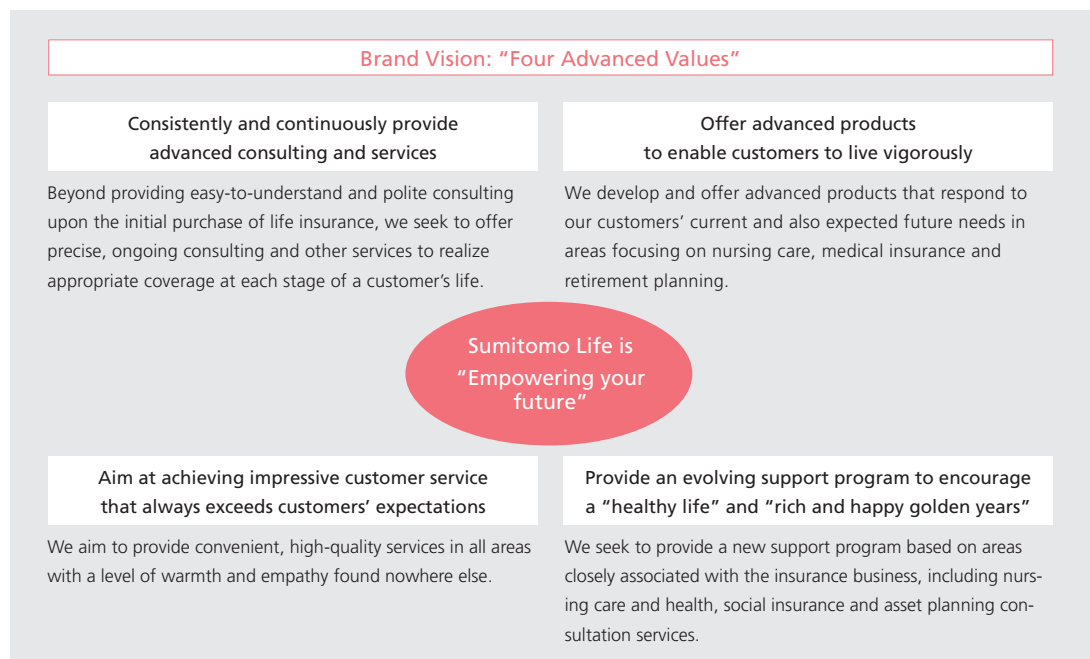


Brand vision

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.



Creating New Value for Customers and Building the Future Together

Masahiro Hashimoto

President &
Chief Executive Officer

Looking Back on Fiscal 2018

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 2018, the second year of the three-year Sumitomo Life Medium-Term Business Plan 2019, we strove to conduct initiatives under the Plan to create new value for customers and build the future together. The initiatives include the launch of “SUMITOMO LIFE Vitality,” a new life insurance product that reduces risk itself by helping policyholders change their behavior and 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. In addition, we formed business alliances with AXA Life Insurance Co., Ltd. and Sony Life Insurance Co., Ltd. in the fields of long-term care and foreign currency-denominated products, respectively.



Annualized Premiums from Policies in Force Remained at a Stable Level as the Economy Continues to Moderately Recover

Performance

Reviewing our fiscal 2018 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 decreased 0.0% from the end of the previous fiscal year, to ¥2,782.4 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 1.9% year on year to ¥583.8 billion, growing steadily for sixteen consecutive years since we started to publish such figures.

Total adjusted group core business profit* increased to ¥398.1 billion, as a result of a positive spread for five 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 Portfolio” and the “Balanced Investment Portfolio” (focused on highly liquid securities), 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. In March 2019, we formulated our ESG Investment Policy, based on the belief that ESG investment will enhance investment returns for an institutional investor who conducts investments on a medium- to long-term basis and also contribute to realizing a sustainable society. Furthermore, we signed the United Nation’s Principles for Responsible Investment in April 2019, and will continue to further promote ESG investment.

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 2018 decreased ¥79.8 billion year on year to ¥3,699.0 billion primarily due to negative impacts from lower domestic interest rate and stock prices, despite the positive results of the insurance business such as acquiring new policies and securing earnings from policies in force.

Creating New Value for Customers as an Industry Leader

In Japan’s highly graying 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

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

Message from the President

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 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. 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 10.1 million members across 19 countries and regions (as of February 28, 2019). 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,” and “the Company and its employees.”

In October 2018, we reached a basic agreement on the business alliance with AXA Life Insurance Co., Ltd. regarding the “joint development and usage of long-term care (LTC) services.” By utilizing the knowledge and experience cultivated by both companies, we will realize a healthy and long-living society through the provision of advanced services, and actively strive to solve various social issues in the LTC sector.

Furthermore, to further meet the diversifying asset formation needs of customers, we started a business alliance with Sony Life Insurance Co., Ltd., and began sales of the said company’s foreign currency-denominated products in January 2019.

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 700,000 policies in force at the end of March 2019. 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, in the Asian market, 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 acquired approximately 40% of the total number of issued shares of PT BNI Life Insurance in Indonesia in 2014.

In addition, we invested in Singapore Life in Singapore in 2019. Singapore Life is an insurance company that aims to reshape finance in the savings, investment and protection space by harnessing cutting-edge technology through its customer journeys. By investing in Singapore Life, which has in-depth expertise and know-how in utilizing technology, the Company aims to enjoy rapid growth in the

*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.

Southeast Asian life insurance market, as well as to apply technologies to actual business operations in order to improve customer ease and achieve greater management efficiency.

In the U.S., we have acquired in February 2016 full ownership of Symetra Financial Corporation, a U.S. life insurance group that has a solid business base across the U.S.. 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.

Creating New Value for Customers and Building the Future Together

Fiscal 2019 is the final 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~."

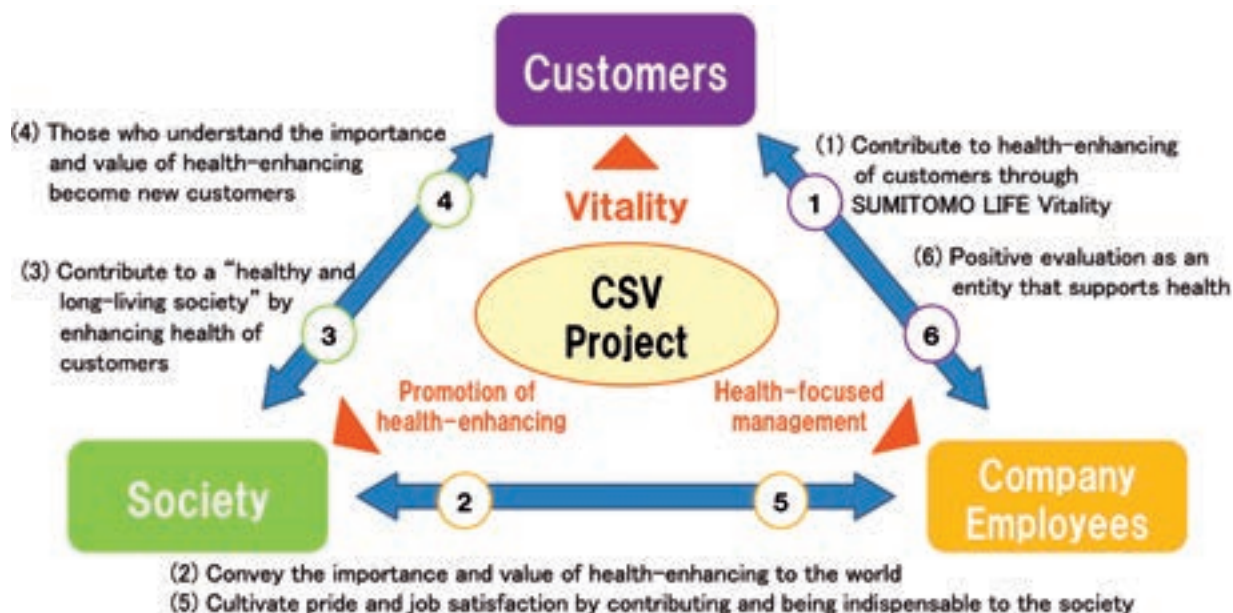
In the Plan, we will continue to further promote initiatives aimed at achieving the goal of becoming an "Ideal life designer", mainly based on our brand strategy. Through initiatives focusing on health, we will also promote customer-oriented business operations from the perspective of pursuing the best 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





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.



Risk coverage

Insurance Policy

Provides coverage in case the policyholder becomes unable to work, hospitalized or undergoes surgery due to illness or injury



Risk reduction

Vitality Wellness Program

Program that supports health of policyholders by promoting health-enhancing through various rewards

*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 19 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 19 countries and regions worldwide including the US, UK, Germany, China and Japan, to approximately 10.1 million members (as of February 28, 2019).

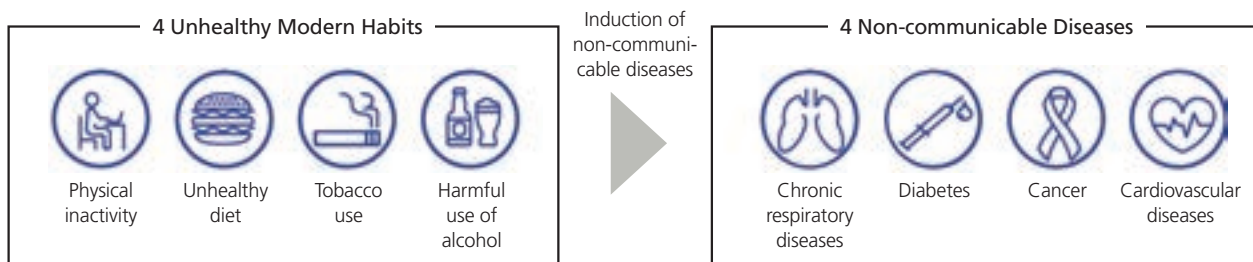
Through the launch of SUMITOMO LIFE Vitality, Sumitomo Life aims to make people healthier and contribute to the realization of a healthy and long-living society by encouraging people to continue engaging in health-enhancing activities.

Countries and regions where “Vitality” is available

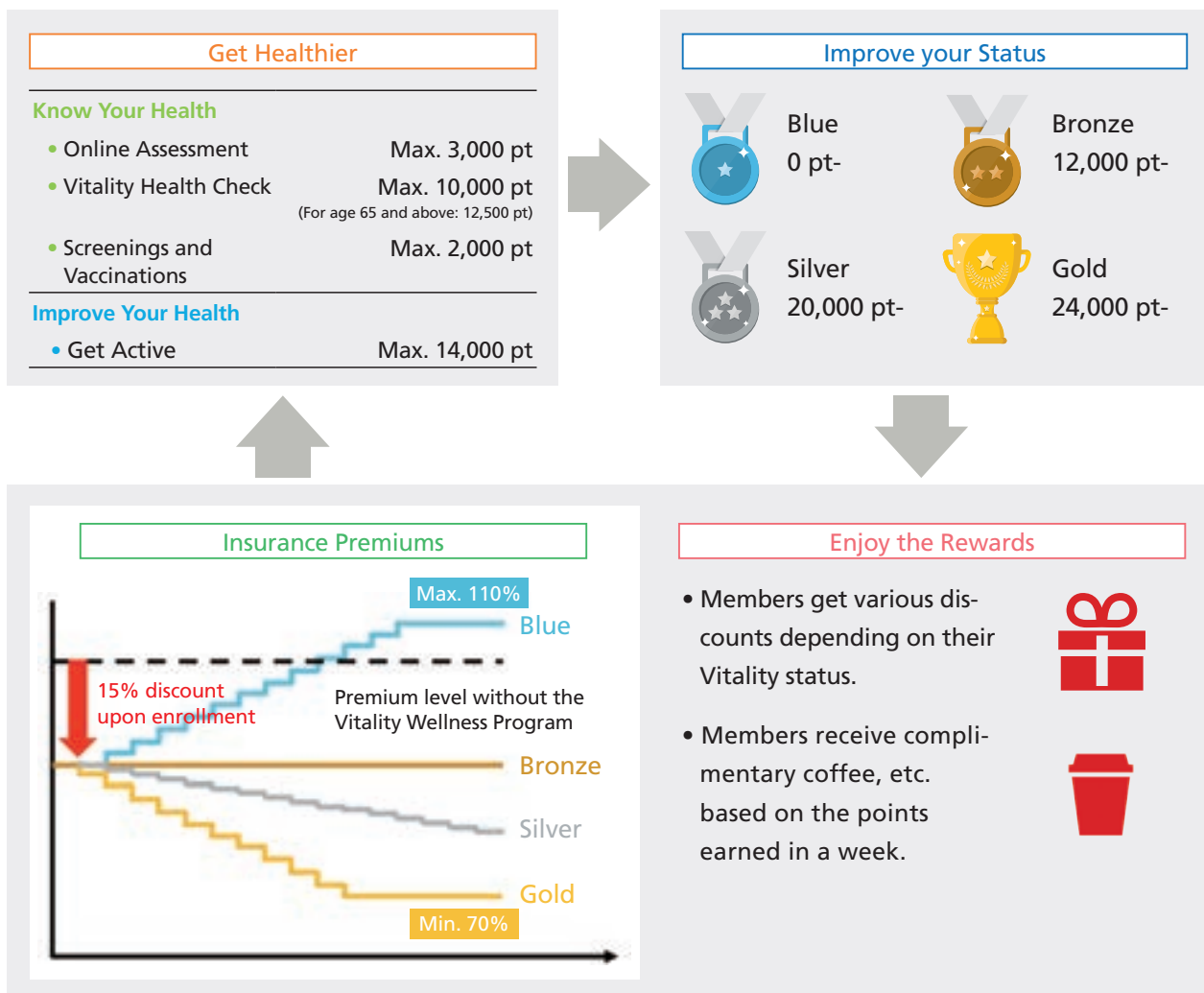


Realization of “A Healthy and Long-Living Society” —Towards the Era of Centenarians—

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 ~

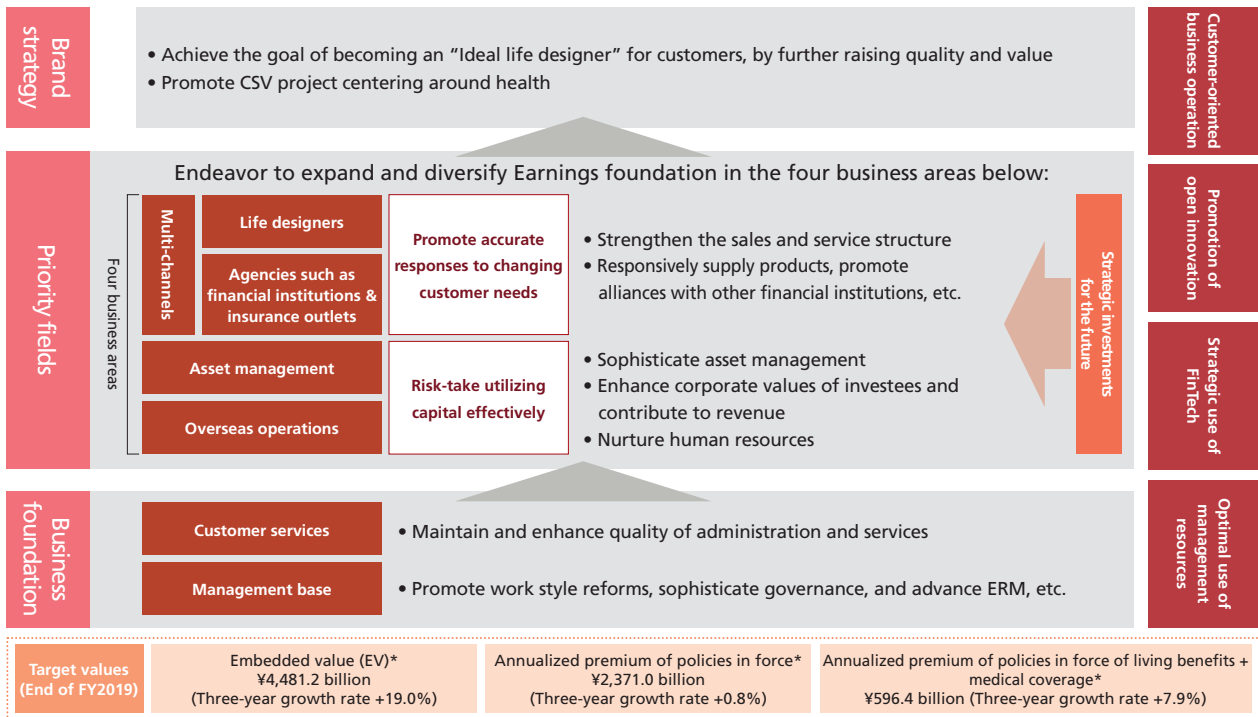
Overview of the Medium-Term Business Plan: Sumitomo Life Medium-Term Business Plan 2019

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."

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

The numerical targets for the Medium-Term Business Plan have been revised in fiscal 2019, based on the recent environmental changes and business performance.

Target item	End of fiscal 2016	End of fiscal 2018	Medium-Term Business Plan targets (End of fiscal 2019)	Medium-Term Business Plan targets before revision
Embedded value (EV)*1*2	¥3,766.0 billion	¥3,939.0 billion	¥4,481.2 billion (Three-year ROEV*3 +19.0%)	¥4,560.0 billion (Three-year ROEV*3 +21.1%)
Annualized premium of policies in force*2	¥2,352.3 billion	¥2,363.0 billion	¥2,371.0 billion (Three-year growth rate +0.8%)	¥2,440.0 billion (Three-year growth rate +3.7%)
Of which, living benefits + medical coverage*2	¥552.9 billion	¥583.8 billion	¥596.4 billion (Three-year growth rate +7.9%)	¥610.0 billion (Three-year growth rate +10.3%)

*1 Calculated based on certain economic assumptions

*2 Total of Sumitomo Life and Medicare Life

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

1

Individual Life Insurance and Annuities

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

Annualized Premiums from Policies in Force

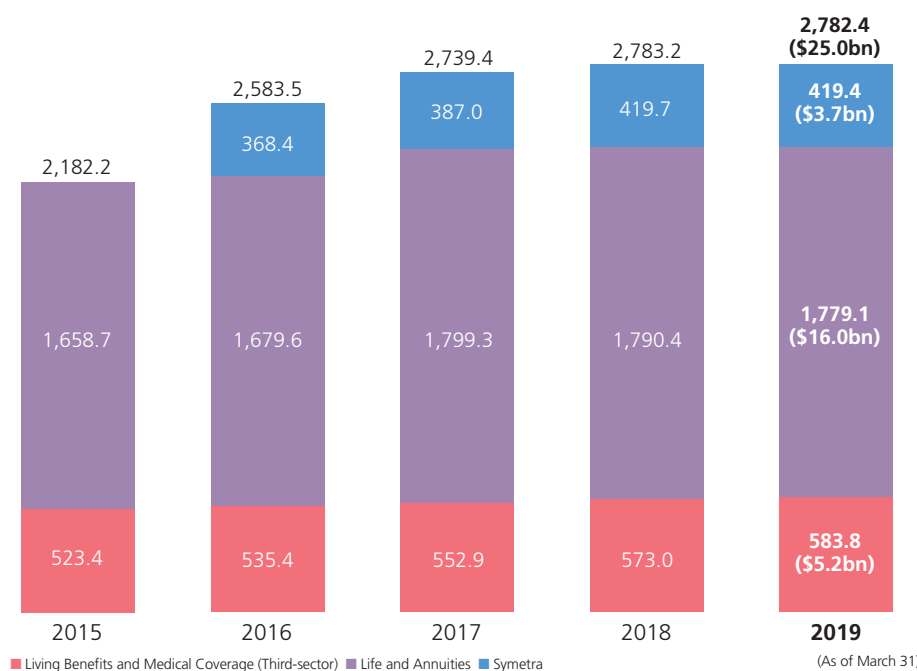
Reviewing our fiscal 2018 consolidated performance for the Sumitomo Life Group, annualized premiums from policies in force decreased 0.0% from the end of the previous fiscal year to ¥2,782.4 billion (\$25.0 billion). Annualized premiums from policies in force for the third-sector insurances, which we focus on as a growth area, increased 1.9% year on year to ¥583.8 billion (\$5.2 billion), on the basis of two domestic entities (Sumitomo Life and Medicare Life) excluding Symetra, growing steadily for sixteen consecutive years since we started to publish such figures.

The main reason for this is that we have achieved steady results through “multi-channel, multi-product strategy” in the nursing care (including work disability) and medical insurance markets, which are expanding along with the advent of a long lived society.

Annualized Premiums from Policies in Force (Sumitomo Life Group)

(¥ billions)

* Sumitomo Life, Medicare Life and Symetra

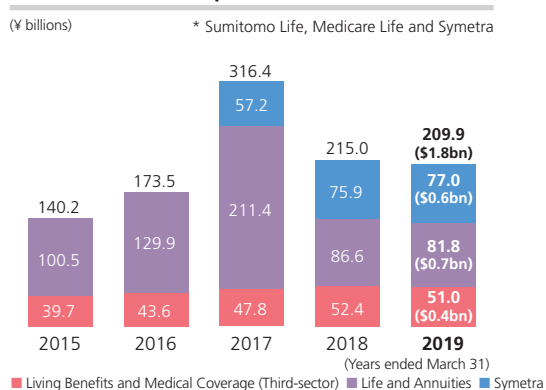


*Symetra closes its account on December 31 each year. US dollar figures for Symetra have been converted from the Japanese yen figures published in the Japanese-language Financial Results using the exchange rate as of the end of March 2019.

Annualized Premiums from New Business

In fiscal 2018, the Sumitomo Life Group's annualized premiums from new business decreased 2.4% from the previous fiscal year to ¥209.9 billion (\$1.8 billion). The decrease from the previous fiscal year was mainly due to drop in sales volume of yen-denominated saving type products in the domestic business.

Annualized Premiums from New Business (Sumitomo Life Group)



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

2

Operating Results

Adjusted group core business profit grew steadily to ¥398.1 billion (\$3.5 billion).

Core Business Profit

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

In fiscal 2018, adjusted group core business profit, which represents profitability excluding the impact of the standard policy reserves concerning the minimum guarantees for variable annuities, etc., increased 10.0% from the previous fiscal year to ¥398.1 billion (\$3.5 billion).

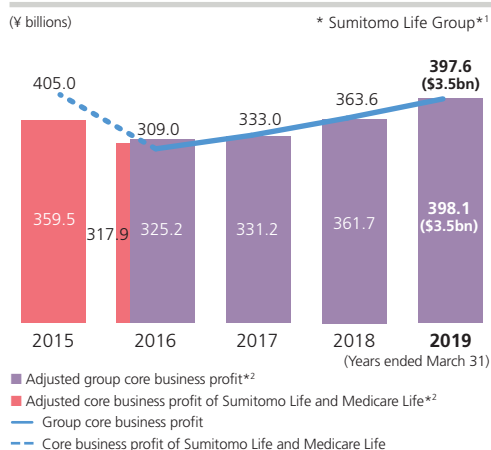
Meanwhile, the size of the negative spread has been constantly shrinking since fiscal 2001 when the Company started its disclosure, which turned positive for the first time in fiscal 2014 and the width of the positive spread has expanded for five consecutive years.

Review of Operations

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.

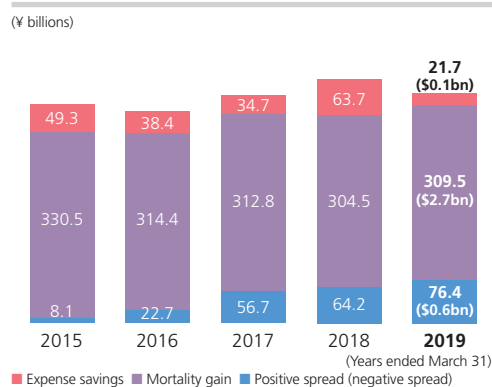
Adjusted Group Core Business Profit



*1 Group core business profit (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 (Sumitomo Life)



3

Financial Strength

Accumulated retained surplus increased to ¥1,912.7 billion (\$17.2 billion).

Accumulated Retained Surplus

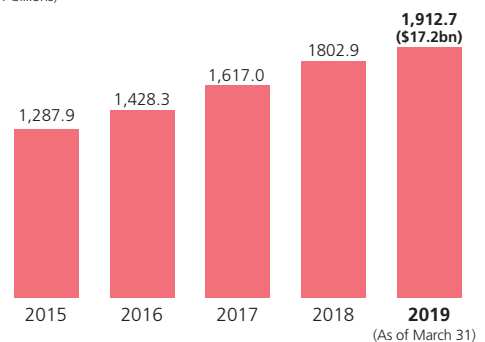
Accumulated retained surplus (Sumitomo Life)* increased ¥109.8 billion in fiscal 2018, to ¥1,912.7 billion (\$17.2 billion).

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, ¥50.0 billion of the foundation funds raised in fiscal 2012 came to maturity in August 2018. Meanwhile, we financed ¥50.0 billion through subordinated loan denominated in Japanese-yen in June 2019.

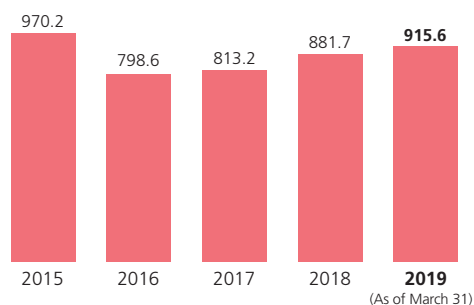
Solvency Margin Ratio

The solvency margin ratio is the ratio of total solvency margin to total risk amount, which quantifies various risks. Our solvency margin ratio was 915.6% (consolidated) at the end of fiscal 2018. 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, we kept the dividend rates of individual life insurance and individual annuities unchanged in fiscal 2018.

Financial Strength Ratings

As of the end of June 2019, we have received ratings of A or above from four rating agencies, namely A+ from Standard & Poor's (S&P), A1 from Moody's, AA- from Rating and Investment Information (R&I), and AA- from Japan Credit Rating Agency (JCR).

In fiscal 2018, the Company's rating from S&P, R&I and JCR was upgraded by one notch higher. This was mainly attributable to our extremely high competitiveness in the Japanese market; our focus on highly profitable third-sector products from an early stage under the multi-channel, multi-product strategy; and our initiatives to strengthen our capital base, which leads to expectation of a continued increase in our internal reserves.

Our current rating is at the highest level since 1997.

Rating Status

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

(As of June 30, 2019)

4

European Embedded Value (EEV)

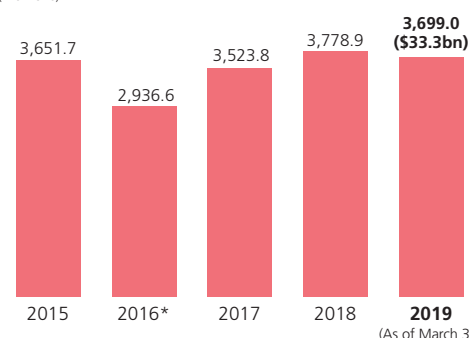
The Sumitomo Life Group's EEV marked ¥3,699.0 billion (\$33.3 billion) at the end of fiscal 2018.

European Embedded Value (EEV)

The Sumitomo Life Group's EEV at the end of fiscal 2018 decreased ¥79.8 billion year on year to ¥3,699.0 billion primarily due to negative impacts from lower domestic interest rate and stock prices, despite the positive results of the insurance business such as acquiring new policies and securing earnings from policies in force.

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, less Sumitomo Life's carrying amount of equity of Medicare Life and Symetra. Symetra has been included in Sumitomo Life Group'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.

5


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 graying 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 2019)

		Life Insurance				P&C Insurance				
Customer Needs	Individual Life				Corporate Insurance	In case of a sudden accident				
	Mortality	Nursing Care / Work Disability	Medical Insurance	Savings						
Products	Comprehensive Protection Insurance  Wellness program that could be attached to the above main products 		Medical Insurance スミセイの医療保険 		Single-Premium Insurance [Yen] (Whole life) ふるは〜と  [Foreign Currency] (Whole life) ぶるは〜と  たのしみグローバル  振数運動プラン		Term Life スミセイの定期保険  新長期プラン エスエス生命の定期保険 経緯の任意金や任意型終身保険  進増定期 エスエス生命の生活障害保険 任意型終身保険  生活障害定期 NN		Automobile Insurance  クルマの保険	
	Income Assurance Insurance 利率区分型収入保障保険(特約払戻金型)  収入保障 Medical Insurance (Simple and affordable) 医療従事者向け「医療的返戻金型」  メディフィット4 Medication Insurance 医療従事者向け  メディフィットEX  メディケア生命 医療生命グループ		Level-Premium Insurance [Yen] (Whole life) スミセイの低解約返戻金型終身保険  パラ色人生 スミセイの低解約返戻金型終身終身保険  パリキューア [Foreign Currency] (Whole life)  W (Endowment)  W Sony Life  [Annuity] (Annuity) スミセイの個人年金保険  たのしみワンダフル [Annuity] (Annuity)  たのしみ未来 global		Medical Protection がん治療サポート  FUKU-GO Work Disability Protection  LUP		Property Insurance  すまいの保険 Casualty Insurance  ナガの保険 Marital Business Insurance 			

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, in January 2019, we have digitalized the application for new life insurance policies through the "Sumisei Lief," and in April 2019, we introduced digital application for new automobile insurance policies, endeavoring to increase the level of convenience for customers. In addition, 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 our high 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. 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 Sony Life Insurance Co., Ltd. We have been selling NN Life's products for corporate clients since April 2017, and Sony Life's foreign currency-denominated products since January 2019, as the sales agent of both companies.

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.

As need of long-term care and support is expected to increase continuously with the advancement of the aging society, we reached a basic agreement on a business alliance with AXA Life Insurance Co., Ltd. in October 2018, regarding the “joint development and usage of long-term care services.” Utilizing the knowledge and experience cultivated by both companies, we are working on creating advanced services.

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 Co., Ltd., a major Japanese non-life insurance company.

As an agent of Mitsui Sumitomo Insurance, annualized premiums from property-casualty insurance sold in fiscal 2018 reached ¥74.8 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. In April 2017, we launched foreign currency-denominated single-premium whole life insurance. Furthermore, in August 2018, we launched foreign currency-denominated index-linked annuity, developed by utilizing the knowledge of our subsidiary in the U.S., Symetra Financial Corporation, and in April 2019, we launched foreign currency-denominated level-premium individual annuity. Through these launches, we have expanded our product lineup in order to meet diverse customer needs.

On the service front, we digitalized the application of new policies, and also introduced a system that allows customers to conduct surrender procedures online after checking information such as the surrender value of the policy as of the date of inquiry. 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 2019), 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

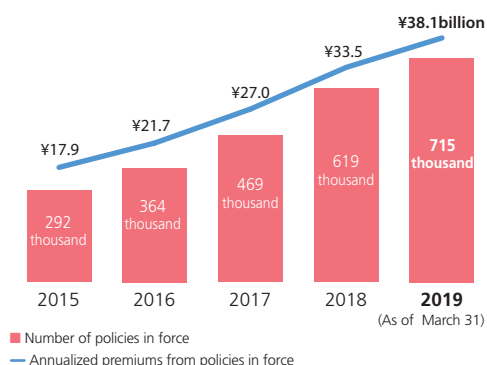
On the back of a growing number of customers who prefer to select insurance after comparing various products, insurance outlets, which recommend suitable products for each customer from the products of multiple insurance companies, have been increasing nationwide.

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.

Besides its key product, level-premium medical insurance, Medicare Life has expanded its product lineup by launching products such as substandard whole life medical insurance, which can be sold to customers who do not qualify for standard products, income protection insurance, and specified disease insurance with lump sum benefits. Efforts were made also to increase customer convenience such as digitalizing application procedures in fiscal 2017. As a result, in fiscal 2018, its annualized premiums from policies in force increased 13.8% year on year to ¥38.1 billion. In addition, it registered over 700,000 policies in force at the end of March 2019, showing that it is on a favorable growth track.

In May 2019, it launched a new product that covers outpatient medication treatment.

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 aim to supplement earnings from the domestic life insurance business by expanding the earnings base through regionally distributing the life insurance business that is concentrated in Japan, and securing the profitability and growth potential of overseas life insurance markets within the Company. Through these initiatives, we strive to strengthen sustainability. Through sharing information and producing synergies with overseas life insurance companies that we invest in, we strive to sophisticate our asset management, diversify our product development, and create added value such as business innovation through utilizing InsurTech. Our long term goal is to secure 20% of the Group's core business profit from overseas operations.

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 ¥77.0 billion, approximately 37% of the total of the Sumitomo Life Group's ¥209.9 billion for fiscal 2018. For policies in force, Symetra owns ¥419.4 billion, approximately 15% of the total of the Sumitomo Life Group's ¥2,782.4 billion. (US\$1 = ¥111.00, as of the end of December 2018.)

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. In addition, we invested in Singapore Life in Singapore in June 2019.

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 although total premiums for fiscal 2018 decreased by 11.8% year on year, the company maintained its eighth place in the industry in terms of total premiums.

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.

Premium income from life insurance of Baoviet Holdings increased by 23.1% year on year in 2018, and the company ranked 1st among domestic life insurance companies in terms of premium income.

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 risk management.

In 2018, BNI Life moved to the top tenth in the industry from the top 16th in 2014 when we first invested in it, although total premiums decreased by 2.4% year on year.

Furthermore, in June 2019, we acquired approximately 25% of the total number of issued and outstanding shares of Singapore Life Insurance. Singapore Life is a Singapore based insurance company that aims to reshape finance in the savings, investment and protection space by harnessing cutting-edge technology through its customer journeys. Singapore Life has steadily increased its market share in Singapore since the start of retail operations in late 2017, and plans to leverage on its strength as a fully digitalized company to expand its footprint across Southeast Asia.

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.

7

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

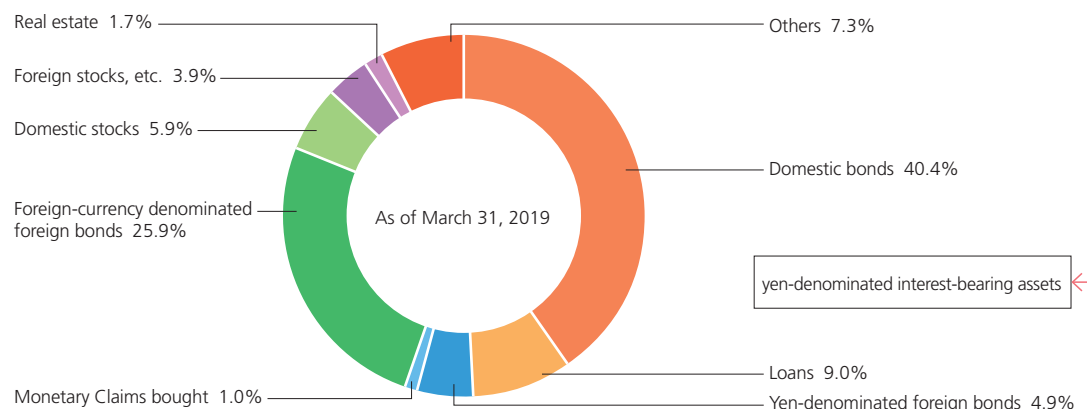
Our asset management portfolio is divided into two categories, the “ALM Investment Portfolio” and the “Balanced Investment Portfolio.” We strive to sophisticate our asset management through “improving returns” and “reinforcing risk control” according to the purpose of each investment, in order to offer insurance products that meet customer needs.

With respect to the “ALM Investment Portfolio” focused on yen-denominated interest-bearing assets serving objectives of reliable payments of insurance claims, etc., besides promoting ALM, we expanded investment in credit assets both within and outside Japan in order to improve investment returns.

Concerning the “Balanced Investment Portfolio” focused on highly liquid securities such as stocks and foreign bonds serving objectives of the sustainable growth of corporate value, we flexibly traded highly liquid securities such as foreign bonds and domestic stocks based on the market prospects of foreign exchange and stock prices, within an acceptable scope of risks.

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)	2015	2016	2017	2018	2019
General account assets	¥25.0 trillion	¥25.9 trillion	¥28.8 trillion	¥30.5 trillion	¥31.9 trillion
Domestic bonds	50.8%	49.6%	43.8%	41.1%	40.4%
Loans	9.3%	8.5%	10.3%	9.1%	9.0%
Yen-denominated foreign bonds*1	6.9%	6.6%	5.8%	5.3%	4.9%
Monetary Claims bought	1.0%	0.8%	0.8%	0.9%	1.0%
Foreign-currency denominated foreign bonds*2	17.2%	19.6%	22.7%	25.1%	25.9%
Domestic stocks	6.6%	5.5%	5.9%	6.3%	5.9%
Foreign stocks, etc.	2.3%	3.6%	3.4%	3.5%	3.9%
Real estate	2.6%	2.4%	2.0%	1.9%	1.7%
Others	3.3%	3.5%	5.4%	6.8%	7.3%

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

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

Review of Operations

Based on the belief that ESG investment will enhance investment returns for a medium- to long-term institutional investor and contribute to the realization of a sustainable society at the same time, we formulated the ESG Investment Policy in March 2019. In April 2019, we signed the United Nation's Principles for Responsible Investment, and will continue to further promote ESG investment.

Key Initiatives

Method	Description
Integration	Incorporate an ESG perspective in the investment process
Engagement	Engage in dialogue with invested portfolio companies, taking into account their ESG issues
Thematic investing	Review and implement investments and loans aimed at resolving ESG issues, taking risks and returns into account
Negative screening	Exclude certain industries or uses of proceeds from the scope of investments, such as manufacturing companies of cluster munitions

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.

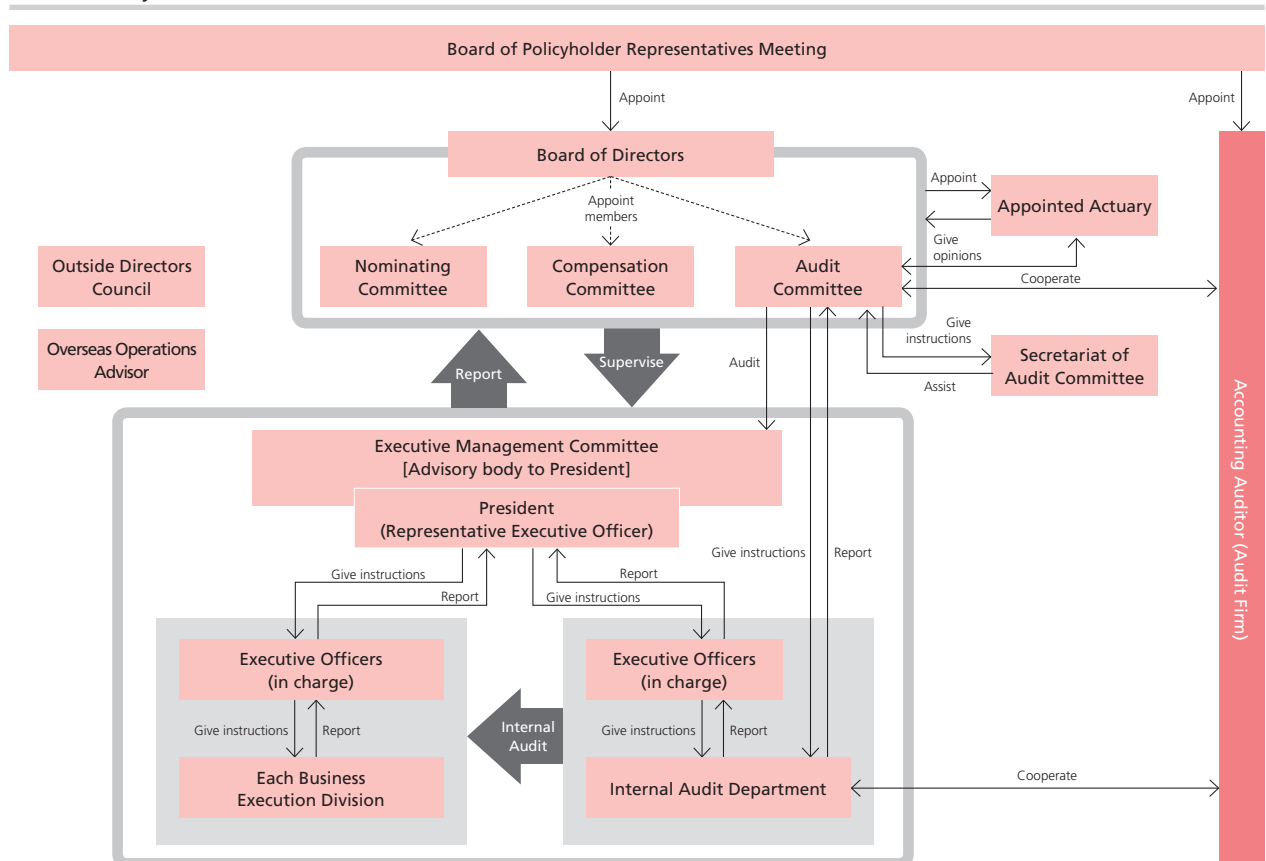
As for the design of bodies involved in management including the Board of Directors, the Company transitioned to Company with Committees in July 2015, with a view to further strengthening its corporate governance framework.

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.

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

Governance System



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 2019, 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 20, 2019)

Directors



Chairman of the Board
Yoshio Sato *



Director
Masahiro Hashimoto *



Director
Hidenori Shinohara *



Director
Masahito Fujito *



Director
Kenichi Nagataki



Outside Director
Senior Adviser,
NTT DATA Corporation
Toru Yamashita



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
Attorney at Law,
Kajitani Law Offices
Masaaki Oka



Outside Director
Representative,
Office KY Initiative
Kenzo Yamamoto

* Executive Officer

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

Nominating Committee

Toru Yamashita (Chairman)
Toshiko Katayama
Kenzo Yamamoto
Yoshio Sato
Masahiro Hashimoto

Audit Committee

Kazuaki Kama (Chairman)
Kimitaka Mori
Masaaki Oka
Kenichi Nagataki

Compensation Committee

Toru Yamashita (Chairman)
Toshiko Katayama
Kenzo Yamamoto
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 *

Deputy President & Executive Officer
(Representative Executive Officer)

Hidenori Shinohara *

Senior Managing Executive Officer
(Representative Executive Officer)

Masahito Fujito *

Senior Managing Executive Officer

Hideharu Matsumoto

Managing Executive Officers

Shinzo Kono

Hideyuki Sumi

Masashi Sakai

Takeshi Eimori

Iwao Matsumoto

Yukinori Takada

Hirokazu Kitagoshi

Kazuhiko Kusaka

* Director

Executive Officers, as defined in our internal regulations

Managing Executive Officers

Hiroshi Yonebayashi

Katsunori Hirai

Hideki Oyama

Yasuo Kobayashi

Tatsuya Yuri

Senior Executive Officers

Fumihiko Komatsu

Hideo Fuji

Toyoki Iwai

Executive Officers

Kazuhiko Arai

Yoshihiro Nakano

Makoto Matsumoto

Ichiryu Kawai

Toru Shiomitsu

Kiyoshi Horie

Tatsuro Nakanishi

Makoto Kayama

Fumito Fujimoto

Satoshi Sadanaga

Satoshi Mouri

Atsushi Hashimoto

Number of Directors and Executive Officers, as defined in the Companies Act

Male: 19, Female: 1

The ratio of female Directors and Executive Officers, as defined in the Companies Act: 5.0%

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

Email: sumisei_ir@am.sumitomolife.co.jp

Representative Offices

New York Representative Office

142 West 57th Street, 11th Floor,
New York, NY 10019, U.S.A.
Tel: +1 (212) 521-8340

London Representative Office

1 Fore Street Avenue, London, EC2Y 9DT, U.K.
Tel: +44 (20) 7256-7630

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

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." 11,187 supporters (as of March 31, 2019) 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 11.36 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

CONTENTS

43	Consolidated Financial Statements
43	Consolidated Balance Sheets
45	Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
47	Consolidated Statements of Changes in Net Assets
49	Consolidated Statements of Cash Flows
51	Notes to the Consolidated Financial Statements
74	Independent Auditor's Report
75	Non-Consolidated Financial Statements
75	Non-Consolidated Balance Sheets
77	Non-Consolidated Statements of Income
79	Non-Consolidated Statements of Changes in Net Assets
82	Non-Consolidated Proposed Appropriation of Surplus
83	Notes to the Non-Consolidated Financial Statements
105	Independent Auditor's Report

Notes: 1. U.S. dollar amounts are converted at U.S. \$1.00 = ¥110.99, the rate prevailing on March 31, 2019
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
	2018	2019	2019
ASSETS:			
Cash and deposits (Notes 3 and 4)	¥ 1,448,620	¥ 1,604,760	\$ 14,458
Call loans (Note 4)	187,361	238,792	2,151
Monetary claims bought (Note 4)	283,252	317,252	2,858
Securities (Notes 4, 6, 13 and 14)	29,089,625	30,006,016	270,348
Loans (Notes 4, 15 and 16)	3,445,029	3,550,593	31,990
Tangible fixed assets (Notes 5, 7 and 18)	581,239	571,169	5,146
Land	359,169	351,911	3,170
Buildings	201,923	185,680	1,672
Lease assets	2,191	8,045	72
Construction in progress	11,619	17,748	159
Other tangible fixed assets	6,335	7,784	70
Intangible fixed assets	283,089	271,938	2,450
Software	20,026	34,956	314
Goodwill	62,927	55,528	500
Lease assets	71	41	0
Other intangible fixed assets	200,063	181,412	1,634
Due from agents	109	179	1
Reinsurance receivables	2,737	2,203	19
Other assets (Note 23)	543,952	1,103,996	9,946
Net defined benefit assets (Note 10)	31,742	20,818	187
Deferred tax assets (Note 19)	140,721	124,912	1,125
Allowance for possible loan losses	(1,038)	(1,164)	(10)
Total assets	¥36,036,443	¥37,811,470	\$340,674

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
LIABILITIES:			
Policy reserves and other reserves	¥30,457,728	¥31,052,893	\$279,781
Reserve for outstanding claims	135,006	142,074	1,280
Policy reserves	30,087,173	30,684,495	276,461
Policyholders' dividend reserves (Note 9)	235,548	226,323	2,039
Reinsurance payables	8,017	12,846	115
Corporate bonds (Notes 4 and 20)	545,868	528,305	4,759
Other liabilities (Note 23)	2,661,062	3,803,492	34,268
Payables under repurchase agreements (Note 4)	860,119	1,893,213	17,057
Payables under securities borrowing transactions (Note 4)	1,116,092	772,360	6,958
Other	684,851	1,137,918	10,252
Net defined benefit liabilities (Note 10)	11,356	10,445	94
Reserve for price fluctuation	657,060	744,582	6,708
Deferred tax liabilities (Note 19)	25,271	166	1
Deferred tax liabilities for land revaluation	13,257	13,014	117
Total liabilities	34,379,623	36,165,746	325,846
NET ASSETS:			
Foundation funds (Note 12)	100,000	50,000	450
Reserve for redemption of foundation funds (Note 12)	539,000	589,000	5,306
Reserve for revaluation	2	2	0
Surplus	248,102	203,072	1,829
Total funds, reserve and surplus	887,104	842,075	7,586
Net unrealized gains on available-for-sale securities	841,320	899,876	8,107
Deferred gains (losses) on derivatives under hedge accounting	(2,556)	810	7
Land revaluation differences	(63,710)	(61,417)	(553)
Foreign currency translation adjustments	(44,853)	(56,487)	(508)
Remeasurements of defined benefit plans	39,415	20,756	187
Total accumulated other comprehensive income	769,616	803,538	7,239
Non-controlling interests	99	109	0
Total net assets	1,656,820	1,645,723	14,827
Total liabilities and net assets	¥36,036,443	¥37,811,470	\$340,674

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
	2018	2019	2019
Ordinary income	¥ 3,747,135	¥3,639,446	\$32,790
Insurance premiums and other	2,688,720	2,605,680	23,476
Investment income	908,399	899,775	8,106
Interest, dividends and other income	752,225	769,003	6,928
Gains on trading securities	376	—	—
Gains on sales of securities	84,817	103,679	934
Gains on redemption of securities	7,552	2,011	18
Foreign exchange gains	—	4,461	40
Reversal of allowance for possible loan losses	162	—	—
Other investment income	4,495	4,994	44
Investment gains on separate accounts	58,769	15,624	140
Other ordinary income	150,016	133,990	1,207
Ordinary expenses	3,529,268	3,488,605	31,431
Benefits and other payments	2,076,282	2,065,538	18,610
Claims paid	617,445	666,493	6,004
Annuity payments	634,259	504,170	4,542
Benefits payments	340,386	368,394	3,319
Surrender benefits	423,808	459,457	4,139
Other refunds	60,381	67,022	603
Provision for policy reserves and other reserves	723,728	557,329	5,021
Provision for reserves for outstanding claims	—	4,548	40
Provision for policy reserves	723,689	552,746	4,980
Provision for interest on policyholders' dividend reserves (Note 9)	39	35	0
Investment expenses	175,517	294,168	2,650
Interest expenses	21,793	30,271	272
Losses on trading securities	—	2,514	22
Losses on sales of securities	45,236	97,320	876
Losses on valuation of securities	4,390	6,364	57
Losses on redemption of securities	3,380	1,460	13
Losses on derivative financial instruments	69,781	119,914	1,080
Foreign exchange losses	2,119	—	—
Provision for allowance for possible loan losses	—	141	1
Depreciation of real estate for investments	8,789	8,648	77
Other investment expenses	20,027	27,533	248
Operating expenses (Note 17)	402,620	409,598	3,690
Other ordinary expenses	151,119	161,970	1,459
Ordinary profit	¥ 217,867	¥ 150,840	\$ 1,359

Comprehensive Income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Extraordinary gains	¥ 17,632	¥ 1,031	\$ 9
Gains on disposals of fixed assets	17,632	1,031	9
Extraordinary losses	180,001	101,786	917
Losses on disposals of fixed assets	1,635	2,976	26
Impairment losses (Note 18)	6,397	10,458	94
Provision for reserve for price fluctuation	154,620	87,522	788
Losses on reduction of real estate	16,601	—	—
Payments to social responsibility reserve	745	829	7
Surplus before income taxes	55,498	50,085	451
Income taxes (Notes 11 and 19)			
Current	59,194	44,165	397
Deferred	(73,540)	(42,357)	(381)
Total income taxes	(14,346)	1,807	16
Net surplus	69,844	48,277	434
Net surplus attributable to non-controlling interests	9	10	0
Net surplus attributable to the Parent Company	¥ 69,835	¥ 48,266	\$ 434

[Consolidated Statements of Comprehensive Income]

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Net surplus	¥ 69,844	¥ 48,277	\$ 434
Other comprehensive income (loss) (Note 21)	97,623	44,547	401
Net unrealized gains (losses) on available-for-sale securities	105,982	73,444	661
Deferred gains (losses) on derivatives under hedge accounting	(3,771)	3,367	30
Land revaluation differences	2	—	—
Foreign currency translation adjustments	(13,049)	(7,826)	(70)
Remeasurements of defined benefit plans	8,715	(18,659)	(168)
Share of other comprehensive income (loss) of associates under the equity method	(255)	(5,779)	(52)
Comprehensive income (loss)	167,468	92,825	836
Comprehensive income (loss) attributable to the Parent Company	167,458	92,814	836
Comprehensive income (loss) attributable to non-controlling interests	9	10	0

Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2018	Millions of Yen												
	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	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, 2019	Millions of Yen												
	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	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
Cumulative effect due to U.S. GAAP (ASU 2016-01) used for U.S. subsidiaries				12,918	12,918	(12,918)					(12,918)		—
Beginning balance after reflecting U.S. GAAP (ASU 2016-01) used for U.S. subsidiaries	100,000	539,000	2	261,020	900,022	828,402	(2,556)	(63,710)	(44,853)	39,415	756,697	99	1,656,820
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 9)				(52,804)	(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)								(1,116)
Net surplus attributable to the Parent Company				48,266	48,266								48,266
Redemption of foundation funds	(50,000)				(50,000)								(50,000)
Reversal of land revaluation differences				(2,293)	(2,293)								(2,293)
Net changes, excluding funds, reserve and surplus						71,473	3,367	2,293	(11,634)	(18,659)	46,840	9	46,850
Net changes in the fiscal year	(50,000)	50,000	—	(57,947)	(57,947)	71,473	3,367	2,293	(11,634)	(18,659)	46,840	9	(11,096)
Ending balance	50,000	589,000	2	203,072	842,075	899,876	810	(61,417)	(56,487)	20,756	803,538	109	1,645,723

Year ended March 31, 2019

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	900	4,856	0	2,235	7,992	7,580	(23)	(574)	(404)	355	6,934	0	14,927
Cumulative effect due to U.S. GAAP (ASU 2016-01) used for U.S. subsidiaries				116	116	(116)					(116)		—
Beginning balance after reflecting U.S. GAAP (ASU 2016-01) used for U.S. subsidiaries	900	4,856	0	2,351	8,109	7,463	(23)	(574)	(404)	355	6,817	0	14,927
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 9)				(475)	(475)								(475)
Additions to reserve for redemption of foundation funds		450		(450)	—								—
Payment of interest on foundation funds				(10)	(10)								(10)
Net surplus attributable to the Parent Company				434	434								434
Redemption of foundation funds	(450)				(450)								(450)
Reversal of land revaluation differences				(20)	(20)								(20)
Net changes, excluding funds, reserve and surplus						643	30	20	(104)	(168)	422	0	422
Net changes in the fiscal year	(450)	450	—	(522)	(522)	643	30	20	(104)	(168)	422	0	(99)
Ending balance	450	5,306	0	1,829	7,586	8,107	7	(553)	(508)	187	7,239	0	14,827

Consolidated Statements of Cash Flows

Sumitomo Life Insurance Company and Consolidated Subsidiaries

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
I Cash flows from operating activities			
Surplus before income taxes	¥ 55,498	¥ 50,085	\$ 451
Depreciation of real estate for investments	8,789	8,648	77
Depreciation	31,783	31,524	284
Impairment losses	6,397	10,458	94
Amortization of goodwill	3,559	6,340	57
Increase (Decrease) in reserve for outstanding claims	(23,313)	7,464	67
Increase (Decrease) in policy reserves	821,076	680,328	6,129
Provision for interest on policyholders' dividend reserves	39	35	0
Increase (Decrease) in allowance for possible loan losses	(171)	128	1
Increase (Decrease) in net defined benefit liabilities	(13,102)	(15,883)	(143)
Increase (Decrease) in reserve for price fluctuation	154,620	87,522	788
Interest, dividends, and other income	(752,225)	(769,003)	(6,928)
Losses (Gains) on securities	(75,458)	13,317	119
Interest expenses	21,793	30,271	272
Foreign exchange losses (gains)	1,755	(3,916)	(35)
Losses (Gains) on tangible fixed assets	(127)	1,795	16
Investment losses (gains) under the equity method	(644)	12,344	111
Decrease (Increase) in due from agents	(28)	(71)	(0)
Decrease (Increase) in reinsurance receivables	(1,867)	488	4
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	(18,129)	(674,913)	(6,080)
Increase (Decrease) in reinsurance payables	2,111	5,392	48
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	2,300	629,173	5,668
Others, net	53,779	99,862	899
Subtotal	278,438	211,392	1,904
Interest, dividends, and other income received	819,120	839,009	7,559
Interest paid	(19,740)	(31,628)	(284)
Policyholders' dividends paid	(62,177)	(62,064)	(559)
Others, net	(745)	(829)	(7)
Income taxes paid	(45,308)	(63,563)	(572)
Net cash provided by operating activities	¥ 969,586	¥ 892,314	\$ 8,039

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
II Cash flows from investing activities			
Net decrease (increase) in deposits	¥ (412,891)	¥ (81,913)	\$ (738)
Purchase of monetary claims bought	(224,078)	(155,924)	(1,404)
Proceeds from sales and redemption of monetary claims bought	172,640	122,717	1,105
Purchase of securities	(5,852,447)	(6,073,745)	(54,723)
Proceeds from sales and redemption of securities	4,650,460	5,029,382	45,313
Loans made	(2,157,988)	(2,414,395)	(21,753)
Proceeds from collection of loans	2,321,164	2,283,581	20,574
Others, net	556,087	597,985	5,387
Total investment activities (IIa)	(947,052)	(692,311)	(6,237)
[I+IIa]	[22,534]	[200,003]	[1,801]
Purchase of tangible fixed assets	(17,321)	(18,804)	(169)
Proceeds from sales of tangible fixed assets	3,852	8,378	75
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,437)	—	—
Others, net	(18,283)	(11,162)	(100)
Net cash used in investing activities	(982,241)	(713,899)	(6,432)
III Cash flows from financing activities			
Proceeds from issuance of debt	23	0	0
Repayments of debt	—	(33,300)	(300)
Proceeds from issuance of corporate bonds	145,444	—	—
Redemption of corporate bonds	—	(16,650)	(150)
Redemption of foundation funds	(70,000)	(50,000)	(450)
Payment of interest on foundation funds	(1,918)	(1,116)	(10)
Others, net	(3,097)	(2,016)	(18)
Net cash provided by (used in) financing activities	70,451	(103,082)	(928)
IV Effect of foreign exchange rate changes on cash and cash equivalents	(1,529)	(1,061)	(9)
V Net increase (decrease) in cash and cash equivalents	56,266	74,270	669
VI Cash and cash equivalents at the beginning of the year	304,592	360,858	3,251
VII Cash and cash equivalents at the end of the year (Note 3)	¥ 360,858	¥ 435,129	\$ 3,920

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. 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, 2019, which was ¥110.99 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 22 and 25 as of March 31, 2018 and 2019, respectively.

The major subsidiaries as of March 31, 2019 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.)

Three subsidiaries of Symetra Financial Corporation were included in the scope of the consolidation as a result of their establishment from the period ended March 31, 2019.

b) Affiliates

The numbers of affiliates under the equity method were 10 and 8 as of March 31, 2018 and 2019, respectively.

The major affiliates as of March 31, 2019 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)

Two subsidiaries of Baoviet Holdings were excluded from affiliates accounted for by the equity method as those companies were excluded from affiliates from the period ended March 31, 2019.

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

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, 2018 and 2019 amounted to ¥36 million and ¥35 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

- a) The consolidation tax filings were adopted from the fiscal year ended March 31, 2018.
- b) "Payables under repurchase agreements", which was included in "Other liabilities" in the previous fiscal year, is separately presented as its materiality has increased.

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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. dollars
	2018	2019	2019
Cash and deposits	¥1,448,620	¥1,604,760	\$14,458
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(1,086,861)	(1,168,585)	(10,528)
Restricted cash of foreign consolidated subsidiaries	(900)	(1,045)	(9)
Short-term investment securities of foreign consolidated subsidiaries	0	—	—
Cash and cash equivalents	¥ 360,858	¥ 435,129	\$ 3,920

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, 2018 and 2019.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2018			2019			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 1,448,620	¥ 1,448,620	¥ —	¥ 1,604,760	¥ 1,604,760	¥ —	\$ 14,458	\$ 14,458	\$ —
[Available-for-sale securities]*1	[441,084]	[441,084]	—	[386,779]	[386,779]	—	[3,484]	[3,484]	—
Call loans	187,361	187,361	—	238,792	238,792	—	2,151	2,151	—
Monetary claims bought	283,252	284,696	1,444	317,252	319,745	2,493	2,858	2,880	22
[Available-for-sale securities]*1	[209,492]	[209,492]	—	[174,259]	[174,259]	—	[1,570]	[1,570]	—
Securities*2	28,705,307	31,006,612	2,301,305	29,709,964	32,225,984	2,516,019	267,681	290,350	22,668
Trading securities	1,033,689	1,033,689	—	1,021,016	1,021,016	—	9,199	9,199	—
Held-to-maturity debt securities	1,954,345	2,279,893	325,548	1,869,326	2,215,434	346,108	16,842	19,960	3,118
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	11,674,328	13,813,577	2,139,248	105,183	124,457	19,274
Investments in subsidiaries and affiliated companies	28,062	53,967	25,904	24,911	55,574	30,662	224	500	276
Available-for-sale securities	14,482,414	14,482,414	—	15,120,382	15,120,382	—	136,231	136,231	—
Loans	3,445,029			3,550,593			31,990		
Allowance for possible loan losses*3	(832)			(784)			(7)		
	3,444,196	3,478,602	34,405	3,549,808	3,570,221	20,413	31,983	32,167	183
Corporate bonds	545,868	559,840	13,972	528,305	540,002	11,696	4,759	4,865	105
Payables under repurchase agreements	860,119	860,119	—	1,893,213	1,893,213	—	17,057	17,057	—
Payables under securities borrowing transactions	1,116,092	1,116,092	—	772,360	772,360	—	6,958	6,958	—
Derivative transactions*4	228,636	228,636	—	51,576	51,576	—	464	464	—
Hedge accounting not applied	39,950	39,950	—	11,388	11,388	—	102	102	—
Hedge accounting applied	188,686	188,686	—	40,188	40,188	—	362	362	—

*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 ¥384,318 million and ¥296,052 million (U.S. \$2,667 million) as of March 31, 2018 and 2019, 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 consolidated balance sheets, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2018 and 2019.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2018			2019			2019		
	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	¥ 458,764	¥ 499,664	¥ 40,900	¥ 427,604	¥ 470,400	¥ 42,795	\$ 3,852	\$ 4,238	\$ 385
Foreign securities (bonds)	1,493,938	1,778,660	284,722	1,440,600	1,743,924	303,324	12,979	15,712	2,732
Fair value does not exceed the balance sheet amount									
Bonds	1,643	1,568	(74)	1,122	1,109	(12)	10	9	(0)
Foreign securities (bonds)	—	—	—	—	—	—	—	—	—
Total	1,954,345	2,279,893	325,548	1,869,326	2,215,434	346,108	16,842	19,960	3,118

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2018			2019			2019		
	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	¥10,397,017	¥12,388,306	¥1,991,289	¥10,988,196	¥13,119,392	¥2,131,195	\$ 99,001	\$ 118,203	\$ 19,201
Foreign securities (bonds)	87,797	91,618	3,820	416,916	432,782	15,865	3,756	3,899	142
Fair value does not exceed the balance sheet amount									
Bonds	537,536	497,343	(40,193)	151,573	146,912	(4,661)	1,365	1,323	(41)
Foreign securities (bonds)	184,442	179,379	(5,063)	117,641	114,489	(3,151)	1,059	1,031	(28)
Total	11,206,795	13,156,647	1,949,852	11,674,328	13,813,577	2,139,248	105,183	124,457	19,274

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, 2018 and 2019.

3) Available-for-sale securities

As of March 31	Millions of Yen						Millions of U.S. Dollars			
	2018			2019			2019			
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	136,556	143,818	7,261	151,297	159,271	7,973	1,363	1,435	71	
Bonds	1,226,219	1,315,182	88,963	1,764,026	1,875,360	111,334	15,893	16,896	1,003	
Stocks	737,218	1,724,022	986,803	659,033	1,606,017	946,984	5,937	14,469	8,532	
Foreign securities	5,519,537	5,765,216	245,678	6,176,880	6,486,590	309,709	55,652	58,443	2,790	
Foreign bonds	5,338,247	5,564,082	225,835	5,786,900	6,085,256	298,356	52,138	54,827	2,688	
Other foreign securities	181,290	201,133	19,843	389,980	401,333	11,353	3,513	3,615	102	
Other securities	34,983	48,789	13,806	57,271	72,548	15,276	516	653	137	
Balance sheet amount does not exceed acquisition costs or amortized costs										
Negotiable certificates of deposit	441,100	441,084	(15)	386,800	386,779	(20)	3,484	3,484	(0)	
Monetary claims bought	65,766	65,674	(92)	14,999	14,988	(11)	135	135	(0)	
Bonds	527,525	509,895	(17,629)	91,546	90,157	(1,389)	824	812	(12)	
Stocks	101,508	88,848	(12,659)	180,614	142,018	(38,595)	1,627	1,279	(347)	
Foreign securities	5,176,781	5,020,519	(156,261)	4,913,718	4,795,219	(118,499)	44,271	43,204	(1,067)	
Foreign bonds	5,068,649	4,913,423	(155,226)	4,823,385	4,705,231	(118,154)	43,457	42,393	(1,064)	
Other foreign securities	108,132	107,096	(1,035)	90,332	89,987	(345)	813	810	(3)	
Other securities	10,000	9,940	(60)	52,623	52,469	(153)	474	472	(1)	
Total	13,977,197	15,132,992	1,155,794	14,448,811	15,681,421	1,232,610	130,181	141,286	11,105	

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, 2018

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	¥1,448,459	¥ —	¥ —	¥ —
Call loans	187,361	—	—	—
Monetary claims bought	49,629	751	269	225,416
Securities	674,769	3,237,552	6,829,301	14,011,807
Held-to-maturity debt securities	66,028	196,809	639,313	1,049,882
Policy-reserve-matching bonds	136,707	517,935	1,697,358	8,781,093
Available-for-sale securities	472,034	2,522,807	4,492,630	4,180,831
Loans	1,037,849	671,541	701,391	672,980
Corporate bonds	—	—	28,250	516,874
Payables under repurchase agreements	860,119	—	—	—
Payables under securities borrowing transactions	1,116,092	—	—	—

As of March 31, 2019

	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	¥1,604,608	¥ —	¥ —	¥ —	\$14,457	\$ —	\$ —	\$ —
Call loans	238,792	—	—	—	2,151	—	—	—
Monetary claims bought	14,446	267	275	294,271	130	2	2	2,651
Securities	504,341	3,131,361	7,380,421	14,319,291	4,544	28,213	66,496	129,014
Held-to-maturity debt securities	54,218	185,209	597,526	1,030,381	488	1,668	5,383	9,283
Policy-reserve-matching bonds	20,796	522,045	2,040,638	9,009,764	187	4,703	18,385	81,176
Available-for-sale securities	429,326	2,424,106	4,742,256	4,279,145	3,868	21,840	42,726	38,554
Loans	1,219,422	556,855	660,861	793,078	10,986	5,017	5,954	7,145
Corporate bonds	—	—	27,750	499,924	—	—	250	4,504
Payables under repurchase agreements	1,893,213	—	—	—	17,057	—	—	—
Payables under securities borrowing transactions	772,360	—	—	—	6,958	—	—	—

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, 2018

Type	Millions of Yen			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts floating, payments fixed	¥47,808	¥47,808	¥660	¥660
Total				660

As of March 31, 2019

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 floating, payments fixed	¥49,945	¥49,945	¥349	¥349	\$450	\$450	\$3	\$3
Total				349				3

* 1 Net gains (losses) represent the fair values for interest rate swaps.

b) Hedge accounting applied

As of March 31, 2018

		Millions of Yen			
Hedge accounting model	Type	Main hedged items	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
Interest rate swaps					
Cash flow hedge	Receipts fixed, payments floating	Bonds	124,395	118,858	(2,219)
Total					(2,099)

As of March 31, 2019

		Millions of Yen			Millions of U.S. Dollars			
Hedge accounting model	Type	Main hedged items	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	¥ 14,236	¥ 4,535	¥ 64	\$ 128	\$ 40	\$ 0
Interest rate swaps								
Cash flow hedge	Receipts fixed, payments floating	Bonds	116,747	116,044	(2,639)	1,051	1,045	(23)
Total					(2,575)			(23)

* 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, 2018

		Millions of Yen			
Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	
Foreign currency forward contracts					
Sold	¥333,609	¥—	¥13,762	¥13,762	
(Australian dollar)	214,582	—	11,972	11,972	
(U.S. dollar)	89,636	—	1,886	1,886	
(Euro)	21,527	—	(55)	(55)	
Bought	276,128	—	(3,911)	(3,911)	
(Australian dollar)	51,245	—	32	32	
(U.S. dollar)	171,648	—	(3,618)	(3,618)	
(Euro)	53,012	—	(325)	(325)	
Currency options					
Sold					
Call	—	—	—	—	
(U.S. dollar)	[—]	—	—	—	
Bought	—	—	—	—	
Put	—	—	—	—	
(U.S. dollar)	[—]	—	—	—	
Total				9,851	

As of March 31, 2019

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	¥652,734	¥—	¥7,430	¥7,430	\$5,881	\$—	\$66	\$66
(Australian dollar)	462,061	—	8,999	8,999	4,163	—	81	81
(U.S. dollar)	147,543	—	(2,178)	(2,178)	1,329	—	(19)	(19)
(Euro)	32,214	—	509	509	290	—	4	4
Bought	291,802	—	(6,908)	(6,908)	2,629	—	(62)	(62)
(Australian dollar)	266,038	—	(7,036)	(7,036)	2,396	—	(63)	(63)
(U.S. dollar)	23,024	—	125	125	207	—	1	1
(Euro)	400	—	(0)	(0)	3	—	(0)	(0)
Currency options								
Sold								
Call	172,500	—			1,554	—		
(U.S. dollar)	[465]	—	425	39	[4]	—	3	0
Bought								
Put	157,500	—			1,419	—		
(U.S. dollar)	[1,585]	—	1,434	(151)	[14]	—	12	(1)
Total				410				3

*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, 2018

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			
	Sold		¥6,803,557	¥187,916	¥180,238
	(U.S. dollar)		3,704,596	127,932	141,139
	(Euro)		1,821,424	—	9,954
	(Australian dollar)		981,860	59,984	23,450
Allocation method	Foreign currency forward contracts	Foreign-currency-denominated assets			
	Sold		53,778	—	(18,082)
	(Australian dollar)		53,778	—	(18,082)
Allocation method	Currency swaps	Foreign-currency-denominated assets	141,197	141,197	12,310
	(U.S. dollar)		141,197	141,197	12,310
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	244,924	244,924	(5,221)
	(U.S. dollar)		244,924	244,924	(5,221)
Cash flow hedge	Currency swaps	Foreign-currency-denominated assets	104,323	99,879	8,516
	(Great Britain pound)		61,913	58,796	7,928
	(U.S. dollar)		24,326	24,326	808
	(Euro)		16,786	15,460	(238)
Total					177,762

As of March 31, 2019

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						
	Sold		¥6,760,420	¥437,618	¥28,497	\$60,910	\$3,942	\$256
	(U.S. dollar)		3,009,559	—	(37,510)	27,115	—	(337)
	(Euro)		2,404,420	—	73,119	21,663	—	658
	(Australian dollar)		952,792	437,618	(4,106)	8,584	3,942	(36)
Allocation method	Foreign currency forward contracts	Foreign-currency-denominated assets						
	Sold		—	—	—	—	—	—
	(Australian dollar)		—	—	—	—	—	—
Allocation method	Currency swaps	Foreign-currency-denominated assets	155,908	155,908	8,192	1,404	1,404	73
	(U.S. dollar)		155,908	155,908	8,192	1,404	1,404	73
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	244,924	244,924	11,553	2,206	2,206	104
	(U.S. dollar)		244,924	244,924	11,553	2,206	2,206	104
Cash flow hedge	Currency swaps	Foreign-currency-denominated assets	126,745	121,902	11,486	1,141	1,098	103
	(Great Britain pound)		68,266	63,423	11,504	615	571	103
	(U.S. dollar)		35,351	35,351	(893)	318	318	(8)
	(Euro)		19,711	19,711	630	177	177	5
Total				59,729				538

*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, 2018

Classification	Type	Millions of Yen			
		Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures				
	Sold	¥ 9,758	¥ —	¥ (231)	¥ (231)
	Bought	13,284	2,381	249	249
Over-the-counter transactions	Stock index options				
	Sold				
	Call	4,793	—		
		[109]		172	(62)
	Put	149	—		
		[3]		1	2
	Bought				
	Call	751,943	4,661		
		[18,100]		29,594	11,493
Total					11,450

As of March 31, 2019		Millions of Yen				Millions of U.S. Dollars			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures								
	Sold	¥ 684	¥ —	¥ 3	¥ 3	\$ 6	\$—	\$ 0	\$ 0
	Bought	8,365	2,796	(55)	(55)	75	25	(0)	(0)
Over-the-counter transactions	Stock index options								
	Sold								
	Call	2,415	—			21	—		
		[82]		39	(43)	[0]		0	(0)
	Put	566	—			5	—		
	[6]		30	23	[0]		0	0	
	Bought								
	Call	910,712	3,261			8,205	29		
	[22,960]		6,863	(16,097)		[206]		61	(145)
Total					(16,168)				(145)

*1 Option fees are shown in [].

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

b) Hedge accounting applied

No ending balances as of March 31, 2018 and 2019.

4) Other

a) Hedge accounting not applied

As of March 31, 2018		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Over-the-counter transactions	Multi-Asset index options				
	Sold	¥ —	¥ —		
		[—]		¥ —	¥ —
	Bought	—	—		
	[—]				
Total					—

As of March 31, 2019		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)
Over-the-counter transactions	Multi-Asset index options								
	Sold	¥78,933	¥ —			\$711	\$ —		
		[34]		¥ 197	¥ (163)	[0]		\$ 1	\$ (1)
	Bought	72,059	—			649	—		
	[1,567]		2,963	1,395		[14]		26	12
Total					1,232				11

*1. Option fees are shown in [].

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

b) Hedge accounting applied

No ending balances as of March 31, 2018 and 2019.

Note 5

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥390,398 million and ¥384,351 million (U.S. \$3,462 million), and their fair values were ¥465,366 million and ¥483,378 million (U.S. \$4,355 million) as of March 31, 2018 and 2019, 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 ¥1,383 million and ¥1,326 million (U.S. \$11 million) as of March 31, 2018 and 2019, respectively.

Note 6

Securities Lending

Securities loaned under security lending agreements amounted to ¥2,962,410 million and ¥3,420,988 million (U.S. \$30,822 million) as of March 31, 2018 and 2019, respectively.

Note 7

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥421,023 million and ¥418,389 million (U.S. \$3,769 million) as of March 31, 2018 and 2019, respectively.

Note 8

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥986,044 million and ¥829,521 million (U.S. \$7,473 million) as of March 31, 2018 and 2019, 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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
At the beginning of the fiscal year	¥245,951	¥235,548	\$2,122
Transfer from surplus in the previous fiscal year	51,735	52,804	475
Dividend payments to policyholders during the fiscal year	(62,177)	(62,064)	(559)
Interest accrued during the fiscal year	39	35	0
At the end of the fiscal year	¥235,548	¥226,323	\$2,039

Note 10

Net Defined Benefit Liabilities

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2018 and 2019 were as follows:

	2018	2019
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	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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
At the beginning of the fiscal year	¥302,904	¥293,067	\$2,640
Service costs	13,144	12,470	112
Interest costs on projected benefit obligations	4,355	4,220	38
Actuarial losses (gains)	2,615	1,800	16
Benefits paid	(18,673)	(21,127)	(190)
Past service costs	(11,385)	—	—
Others	106	96	0
At the end of the fiscal year	¥293,067	¥290,529	\$2,617

b) Changes in the plan assets for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
At the beginning of the fiscal year	¥298,076	¥313,452	\$2,824
Expected return on plan assets	4,916	3,865	34
Actuarial gains (losses)	11,084	(14,050)	(126)
Contribution by employer	6,671	6,753	60
Benefits paid	(7,312)	(9,122)	(82)
Others	16	3	0
At the end of the fiscal year	¥313,452	¥300,902	\$2,711

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheets as of March 31, 2018 and 2019 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Present value of funded obligations	¥291,509	¥288,746	\$2,601
Plan assets at fair value	(313,452)	(300,902)	(2,711)
Net present value of funded obligations	(21,942)	(12,155)	(109)
Present value of unfunded obligations	1,557	1,782	16
Net value on the balance sheet	(20,385)	(10,372)	(93)
Net defined benefit liabilities	11,356	10,445	94
Net defined benefit assets	(31,742)	(20,818)	(187)
Net value on the balance sheet	¥(20,385)	¥(10,372)	\$ (93)

d) The amounts recognized in retirement benefit expenses in the consolidated statements of income for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Service costs	¥13,144	¥12,470	\$112
Interest costs on projected benefit obligations	4,355	4,220	38
Expected return on plan assets	(4,916)	(3,865)	(34)
Amortization of net actuarial losses (gains)	(7,426)	(6,249)	(56)
Amortization of net past service costs	(316)	(3,795)	(34)
Others	98	123	1
Retirement benefit expenses	¥ 4,939	¥ 2,905	\$ 26

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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Actuarial gains	¥ 1,042	¥(22,100)	\$(199)
Past service costs	11,069	(3,795)	(34)
Total	¥12,111	¥(25,895)	\$(233)

Major components of accumulated other comprehensive income (before income tax effect adjustments) as of March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Unrecognized actuarial gains	¥43,639	¥21,539	\$194
Unrecognized past service costs	11,069	7,274	65
Total	¥54,709	¥28,813	\$259

f) The plan assets

The plan assets as of March 31, 2018 and 2019 were comprised as follows:

	% of total fair value of plan assets	
	2018	2019
General accounts of life insurance companies	41	43
Equity securities	42	38
Investment trusts	6	7
Debt securities	6	6
Others	5	6
Total	100	100

46% and 43% of the plan assets were the retirement benefit trusts as of March 31, 2018 and 2019, 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, 2018 and 2019 were as follows:

	2018	2019
Discount rate	1.473%	1.473%
Expected long-term rates of return on the plan assets		
Defined benefit pension plans	3.0%	2.3%
Retirement benefit trusts	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥1,761 million and ¥2,046 million (U.S. \$18 million) for the fiscal years ended March 31, 2018 and 2019, 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 ¥70,000 million and ¥50,000 million (U.S. \$450 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, 2018 and 2019, respectively.

Note 13**Pledged Assets**

Assets pledged as collateral were securities in the amounts of ¥1,473,833 million and ¥1,593,874 million (U.S. \$14,360 million) and cash and deposits in the amounts of ¥30 million and nil as of March 31, 2018 and 2019, respectively.

Note 14**Investments in Affiliates**

Total amounts of investments in affiliates were ¥74,058 million and ¥52,779 million (U.S. \$475 million) as of March 31, 2018 and 2019, 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 ¥1,379 million and ¥787 million (U.S. \$7 million) as of March 31, 2018 and 2019, respectively.

The amounts of loans to bankrupt borrowers were nil and nil, and loans in arrears were ¥909 million and ¥787 million (U.S. \$7 million) as of March 31, 2018 and 2019, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets were ¥22 million and ¥21 million (U.S. \$0 million) for loans in arrears as of March 31, 2018 and 2019, respectively.

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 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 nil and nil as of March 31, 2018 and 2019, 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 ¥469 million and nil as of March 31, 2018 and 2019, 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 ¥16,157 million and ¥17,312 million (U.S. \$155 million) as of March 31, 2018 and 2019, 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 ¥39,685 million and ¥38,388 million (U.S. \$345 million) as of March 31, 2018 and 2019, respectively, pursuant to Article 259 of the Insurance Business Act.

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

Note 18

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, 2018 and 2019, 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, 2018 and 2019

Asset Group	Asset Category	Millions of Yen		Millions of U.S. Dollars
		2018	2019	2019
Real estates for investment	Land and buildings	¥5,711	¥ —	\$ —
Idle assets, etc.	Land and buildings	658	10,443	94
Total		¥6,369	¥10,443	\$94

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, 2018 and 2019 were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Deferred tax assets	¥547,415	¥570,498	\$5,140
Valuation allowance for deferred tax assets	(15,274)	(15,622)	(140)
Subtotal	532,140	554,875	4,999
Deferred tax liabilities	(416,691)	(430,128)	(3,875)
Net deferred tax assets (liabilities)	115,449	124,746	1,123

Major components of deferred tax assets/liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Deferred tax assets:			
Policy reserves and other reserves	¥246,706	¥246,238	\$2,218
Reserve for price fluctuation	183,711	208,182	1,875
Net defined benefit liabilities	42,185	29,645	267
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(317,450)	(363,320)	(3,273)
Other intangible fixed assets	(37,277)	(36,233)	(326)

2) The actual effective income tax rates were (25.8)% and 3.6% for the fiscal years ended March 31, 2018 and 2019, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2018	2019
Policyholders' dividend reserves	(28.0)%	(28.0)%
Enactment of the Tax Cuts and Jobs Act	(26.9)%	—
Investment tax credits of foreign consolidated subsidiaries	—	(8.9)%
Investment losses and gains under the equity method	(0.3)%	6.8 %
Amortization of goodwill	1.8 %	3.5 %

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, respectively.

Note 20

Subordinated Bonds

The amounts of corporate bonds in liabilities included ¥516,874 million and ¥499,924 million (U.S. \$4,504 million) of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2018 and 2019, respectively.

Note 21

Other Comprehensive Income

The components of other comprehensive income for the fiscal years ended March 31, 2018 and 2019 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
	2018	2019	2019
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥141,283	¥41,524	\$374
Reclassification adjustments	9,148	71,412	643
Before income tax effect adjustments	150,432	112,936	1,017
Income tax effects	(44,450)	(39,491)	(355)
Net unrealized gains (losses) on available-for-sale securities	105,982	73,444	661
Deferred gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥(7,162)	¥2,409	\$21
Reclassification adjustments	1,321	1,730	15
Before income tax effect adjustments	(5,840)	4,140	37
Income tax effects	2,069	(772)	(6)
Deferred gains (losses) on derivatives under hedge accounting	(3,771)	3,367	30
Land revaluation differences:			
Amount arising during the fiscal year	¥—	¥—	\$—
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	2	—	—
Land revaluation differences	2	—	—
Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥(13,049)	¥(7,826)	\$(70)
Reclassification adjustments	—	—	—
Before income tax effect adjustments	(13,049)	(7,826)	(70)
Income tax effects	—	—	—
Foreign currency translation adjustments	(13,049)	(7,826)	(70)
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	¥19,538	¥(15,850)	\$(142)
Reclassification adjustments	(7,426)	(10,044)	(90)
Before income tax effect adjustments	12,111	(25,895)	(233)
Income tax effects	(3,396)	7,236	65
Remeasurements of defined benefit plans	8,715	(18,659)	(168)
Share of other comprehensive income of associates under the equity method:			
Amount arising during the year	¥(210)	¥(4,421)	\$(39)
Reclassification adjustments	(45)	(1,357)	(12)
Share of other comprehensive income of associates under the equity method	(255)	(5,779)	(52)
Total other comprehensive income (loss)	¥97,623	¥44,547	\$401

Note 22**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 ¥157,703 million and ¥63,886 million (U.S. \$575 million), and none of the securities was pledged as collateral as of March 31, 2018 and 2019, respectively.

Note 23**Other assets and other liabilities**

Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of nil and nil as of March 31, 2018, respectively. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of 657,168 million (U.S. \$5,920 million) and 620,478 million (U.S. \$5,590 million) as of March 31, 2019, respectively.

Note 24**Subsequent Events**

On June 26, 2019, the Company issued subordinated debt of ¥50,000 million (U.S. \$450 million), the repayments of which are subordinated to other obligations.

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, 2018 and 2019, 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, 2018 and 2019, 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, 2019 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 28, 2019
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
	2018	2019	2019
ASSETS:			
Cash and deposits (Note 3)	¥ 1,301,620	¥ 1,510,097	\$ 13,605
Cash	173	169	1
Deposits	1,301,447	1,509,927	13,604
Call loans (Note 3)	187,361	238,792	2,151
Monetary claims bought (Note 3)	283,252	317,252	2,858
Securities (Notes 3, 5, 14 and 15)	25,819,731	26,764,618	241,144
National government bonds	10,160,111	10,198,381	91,885
Local government bonds	147,445	169,012	1,522
Corporate bonds	3,134,969	3,307,330	29,798
Domestic stocks	2,091,344	2,010,333	18,112
Foreign securities	10,118,472	10,875,563	97,986
Other securities	167,387	203,996	1,837
Loans (Notes 3, 16 and 17)	2,781,305	2,874,970	25,902
Policy loans	294,742	289,747	2,610
Industrial and consumer loans	2,486,563	2,585,222	23,292
Tangible fixed assets (Notes 4, 6 and 22)	576,228	565,893	5,098
Land	359,040	351,684	3,168
Buildings	200,987	184,413	1,661
Lease assets	344	6,787	61
Construction in progress	11,613	17,640	158
Other tangible fixed assets	4,242	5,367	48
Intangible fixed assets	36,885	38,494	346
Software	16,845	32,586	293
Other intangible fixed assets	20,039	5,908	53
Due from agents	1	0	0
Reinsurance receivables	163	196	1
Other assets	396,590	293,671	2,645
Accounts receivable	21,602	20,323	183
Prepaid expenses	3,497	4,585	41
Accrued income	125,990	135,686	1,222
Money on deposit	3,910	3,792	34
Deposits for futures transactions	186	2,271	20
Derivative financial instruments (Note 3)	228,563	114,604	1,032
Suspense	9,563	6,933	62
Other assets	3,276	5,473	49
Prepaid pension cost (Note 11)	—	3,376	30
Deferred tax assets (Note 23)	154,714	123,979	1,117
Allowance for possible loan losses	(921)	(870)	(7)
Total assets	¥31,536,934	¥32,730,472	\$294,895

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
LIABILITIES:			
Policy reserves and other reserves	¥26,147,799	¥26,579,948	\$239,480
Reserve for outstanding claims (Note 18)	111,680	114,734	1,033
Policy reserves (Note 18)	25,800,570	26,238,890	236,407
Policyholders' dividend reserves (Note 9)	235,548	226,323	2,039
Reinsurance payables	158	150	1
Corporate bonds (Notes 3 and 25)	499,924	499,924	4,504
Other liabilities	2,523,022	3,091,489	27,853
Payables under repurchase agreements (Note 3)	860,119	1,893,213	17,057
Payables under securities borrowing transactions (Note 3)	1,116,092	772,360	6,958
Income taxes payable	28,742	6,835	61
Accounts payable	130,976	60,489	544
Accrued expenses	40,102	40,518	365
Deferred income	1,351	1,344	12
Deposits received	65,141	67,487	608
Guarantee deposits received	29,777	28,321	255
Derivative financial instruments (Note 3)	37,938	82,744	745
Cash collateral received for financial instruments	147,588	73,646	663
Lease obligations	329	7,081	63
Asset retirement obligations	1,756	1,711	15
Suspense receipts	8,126	6,499	58
Rest of other liabilities	54,982	49,235	443
Accrued retirement benefits (Note 11)	32,082	19,371	174
Reserve for price fluctuation	656,947	744,447	6,707
Deferred tax liabilities for land revaluation	13,257	13,014	117
Total liabilities	29,873,192	30,948,346	278,839
NET ASSETS:			
Foundation funds (Note 13)	100,000	50,000	450
Reserve for redemption of foundation funds (Note 13)	539,000	589,000	5,306
Reserve for revaluation	2	2	0
Surplus	319,499	273,890	2,467
Reserve for future losses	5,404	5,604	50
Other surplus	314,095	268,286	2,417
Reserve for fund redemption (Note 13)	77,000	42,600	383
Fund for price fluctuation allowance	165,000	165,000	1,486
Reserve for assisting social responsibility	1,450	1,321	11
Other reserves	223	223	2
Unappropriated surplus	70,421	59,141	532
Total funds, reserve and surplus	958,502	912,893	8,225
Net unrealized gains on available-for-sale securities	768,377	931,081	8,388
Deferred gains (losses) on derivatives under hedge accounting	573	(431)	(3)
Land revaluation differences	(63,710)	(61,417)	(553)
Total unrealized gains, revaluation reserve and adjustments	705,239	869,233	7,831
Total net assets	1,663,742	1,782,126	16,056
Total liabilities and net assets	¥31,536,934	¥32,730,472	\$294,895

Non-Consolidated Statements of Income

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Ordinary income	¥3,400,872	¥3,285,089	\$29,598
Insurance premiums and other	2,508,579	2,405,338	21,671
Insurance premiums	2,505,129	2,402,089	21,642
Reinsurance revenue	463	427	3
Other income to policy reserves	2,986	2,821	25
Investment income (Note 20)	758,732	759,829	6,845
Interest, dividends and other income	613,474	638,543	5,753
Interest on deposits	4,107	17,575	158
Interest and dividends on securities	530,326	541,597	4,879
Interest on loans	33,303	30,851	277
Rent revenue from real estate	36,112	35,338	318
Other interest and dividend	9,625	13,180	118
Gains on trading securities	401	—	—
Gains on sales of securities	78,714	100,357	904
Gains on redemption of securities	5,065	—	—
Foreign exchange gains	—	4,432	39
Reversal of allowance for possible loan losses	203	38	0
Other investment income	2,104	832	7
Investment gains on separate accounts	58,769	15,624	140
Other ordinary income	133,560	119,921	1,080
Annuity supplementary contract premiums	9,077	9,198	82
Proceeds from deferred insurance	62,126	72,994	657
Reversal of reserves for outstanding claims (Note 21)	29,107	—	—
Reversal of accrued retirement benefits	13,366	16,087	144
Other ordinary income	19,882	21,640	194
Ordinary expenses	3,170,939	3,084,497	27,790
Benefits and other payments	1,972,330	1,953,487	17,600
Claims paid	589,860	639,442	5,761
Annuity payments	634,251	504,134	4,542
Benefits payments	274,834	294,861	2,656
Surrender benefits	421,811	457,526	4,122
Other refunds	50,654	56,509	509
Reinsurance premiums	917	1,013	9

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Provision for policy reserves and other reserves	¥582,716	¥441,408	\$3,977
Provision for reserve for outstanding claims (Note 21)	—	3,054	27
Provision for policy reserves (Note 21)	582,677	438,319	3,949
Provision for interest on policyholders' dividend reserves (Note 9)	39	35	0
Investment expenses (Note 20)	175,540	244,150	2,199
Interest expenses	18,507	28,850	259
Losses on trading securities	—	25	0
Losses on sales of securities	43,629	92,827	836
Losses on valuation of securities	276	2,746	24
Losses on derivative financial instruments	89,723	99,104	892
Foreign exchange losses	2,286	—	—
Depreciation of real estate for investments	8,768	8,611	77
Other investment expenses	12,349	11,983	107
Operating expenses (Note 19)	328,569	327,952	2,954
Other ordinary expenses	111,782	117,497	1,058
Payments of benefits left to accumulate at interest	60,876	65,285	588
Taxes	24,232	24,213	218
Depreciation	13,433	15,271	137
Other ordinary expenses	13,239	12,727	114
Ordinary profit	229,933	200,591	1,807
Extraordinary gains	17,632	1,031	9
Gains on disposals of fixed assets	17,632	1,031	9
Extraordinary losses	179,938	127,300	1,146
Losses on disposals of fixed assets	1,621	2,946	26
Impairment losses (Note 22)	6,369	10,443	94
Losses on valuation of shares of subsidiaries and affiliates	—	25,580	230
Provision for reserve for price fluctuation	154,600	87,500	788
Losses on reduction of real estate	16,601	—	—
Payments to social responsibility reserve	745	829	7
Surplus before income taxes	67,626	74,322	669
Income taxes (Notes 12 and 23)			
Current	60,403	45,982	414
Deferred	(58,199)	(32,265)	(290)
Total income taxes	2,204	13,716	123
Net surplus	¥ 65,422	¥ 60,605	\$ 546

Non-Consolidated Statements of Changes in Net Assets

Sumitomo Life Insurance Company

Year ended March 31, 2018

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	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

	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	Total funds, reserve and surplus
					Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus		
Beginning balance	100,000	539,000	2	5,404	77,000	165,000	1,450	223	70,421	319,499	958,502
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 9)									(52,804)	(52,804)	(52,804)
Additions to reserve for future losses				200					(200)	—	—
Additions to reserve for redemption of foundation funds		50,000									50,000
Payment of interest on foundation funds									(1,116)	(1,116)	(1,116)
Net surplus									60,605	60,605	60,605
Redemption of foundation funds	(50,000)										(50,000)
Additions to reserve for fund redemption					15,600				(15,600)	—	—
Reversal of reserve for fund redemption					(50,000)					(50,000)	(50,000)
Additions to reserve for assisting social responsibility							700		(700)	—	—
Reversal of reserve for assisting social responsibility							(829)		829	—	—
Reversal of land revaluation differences									(2,293)	(2,293)	(2,293)
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	(50,000)	50,000	—	200	(34,400)	—	(129)	—	(11,279)	(45,608)	(45,608)
Ending balance	50,000	589,000	2	5,604	42,600	165,000	1,321	223	59,141	273,890	912,893

	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	768,377	573	(63,710)	705,239	1,663,742
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 9)				(52,804)	
Additions to reserve for future losses				—	
Additions to reserve for redemption of foundation funds				50,000	
Payment of interest on foundation funds				(1,116)	
Net surplus				60,605	
Redemption of foundation funds				(50,000)	
Additions to reserve for fund redemption				—	
Reversal of reserve for fund redemption				(50,000)	
Additions to reserve for assisting social responsibility				—	
Reversal of reserve for assisting social responsibility				—	
Reversal of land revaluation differences				(2,293)	
Net changes, excluding funds, reserve and surplus	162,704	(1,004)	2,293	163,993	163,993
Net changes in the fiscal year	162,704	(1,004)	2,293	163,993	118,384
Ending balance	931,081	(431)	(61,417)	869,233	1,782,126

Year ended March 31, 2019

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	Reserve for fund redemption	Surplus				Total surplus	
						Fund for price fluctuation allowance	Reserve for assisting social responsibility	Other reserves	Unappropriated surplus		
Beginning balance	900	4,856	0	48	693	1,486	13	2	634	2,878	8,635
Changes in the fiscal year											
Additions to policyholders' dividend reserves (Note 9)									(475)	(475)	(475)
Additions to reserve for future losses				1					(1)	—	—
Additions to reserve for redemption of foundation funds		450									450
Payment of interest on foundation funds									(10)	(10)	(10)
Net surplus									546	546	546
Redemption of foundation funds	(450)										(450)
Additions to reserve for fund redemption					140				(140)	—	—
Reversal of reserve for fund redemption					(450)					(450)	(450)
Additions to reserve for assisting social responsibility							6		(6)	—	—
Reversal of reserve for assisting social responsibility							(7)		7	—	—
Reversal of land revaluation differences									(20)	(20)	(20)
Net changes, excluding funds, reserve and surplus											
Net changes in the fiscal year	(450)	450	—	1	(309)	—	(1)	—	(101)	(410)	(410)
Ending balance	450	5,306	0	50	383	1,486	11	2	532	2,467	8,225

	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	6,922	5	(574)	6,354	14,990
Changes in the fiscal year					
Additions to policyholders' dividend reserves (Note 9)					(475)
Additions to reserve for future losses					—
Additions to reserve for redemption of foundation funds				450	450
Payment of interest on foundation funds					(10)
Net surplus					546
Redemption of foundation funds					(450)
Additions to reserve for fund redemption					—
Reversal of reserve for fund redemption					(450)
Additions to reserve for assisting social responsibility					—
Reversal of reserve for assisting social responsibility					—
Reversal of land revaluation differences					(20)
Net changes, excluding funds, reserve and surplus	1,465	(9)	20	1,477	1,477
Net changes in the fiscal year	1,465	(9)	20	1,477	1,066
Ending balance	8,388	(3)	(553)	7,831	16,056

Non-Consolidated Proposed Appropriation of Surplus

Sumitomo Life Insurance Company

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Unappropriated surplus	¥70,421	¥59,141	\$532
Appropriation of surplus	70,421	59,141	532
Policyholders' dividend reserves	52,804	50,285	453
Net surplus	17,616	8,856	79
Reserve for future losses	200	200	1
Interest on foundation funds	1,116	556	5
Voluntary surplus reserves	16,300	8,100	72
Reserve for fund redemption	15,600	7,400	66
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. 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 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, 2019, which was ¥110.99 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 subsidiaries and affiliates, are translated into Japanese yen at the exchange rate on the balance sheet date. Investments in 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, 2018 and 2019 amounted to ¥36 million and ¥35 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 consolidation tax filings were adopted, with the Company being a parent company under the system from the fiscal year ended March 31, 2018.

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, 2018 and 2019.

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2018			2019			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 1,301,620	¥ 1,301,620	¥ —	¥ 1,510,097	¥ 1,510,097	¥ —	\$ 13,605	\$ 13,605	\$ —
[Available-for-sale securities]*1	[441,084]	[441,084]	—	[386,779]	[386,779]	—	[3,484]	[3,484]	—
Call loans	187,361	187,361	—	238,792	238,792	—	2,151	2,151	—
Monetary claims bought	283,252	284,696	1,444	317,252	319,745	2,493	2,858	2,880	22
[Available-for-sale securities]*1	[209,492]	[209,492]	—	[174,259]	[174,259]	—	[1,570]	[1,570]	—
Securities *2	24,888,639	27,173,343	2,284,704	25,925,558	28,419,737	2,494,178	233,584	256,056	22,472
Trading securities	917,228	917,228	—	782,809	782,809	—	7,052	7,052	—
Held-to-maturity debt securities	1,888,273	2,202,331	314,058	1,799,665	2,132,194	332,529	16,214	19,210	2,996
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	11,674,328	13,813,577	2,139,248	105,183	124,457	19,274
Investments in subsidiaries and affiliated companies	33,173	53,967	20,793	33,173	55,574	22,400	298	500	201
Available-for-sale securities	10,843,168	10,843,168	—	11,635,582	11,635,582	—	104,834	104,834	—
Loans	2,781,305			2,874,970			25,902		
Allowance for possible loan losses *3	(719)			(618)			(5)		
	2,780,585	2,821,076	40,490	2,874,352	2,909,763	35,411	25,897	26,216	319
Corporate bonds	499,924	514,191	14,267	499,924	512,782	12,857	4,504	4,620	115
Payables under repurchase agreements	860,119	860,119	—	1,893,213	1,893,213	—	17,057	17,057	—
Payables under securities borrowing transactions	1,116,092	1,116,092	—	772,360	772,360	—	6,958	6,958	—
Derivative transactions *4	190,625	190,625	—	31,860	31,860	—	287	287	—
Hedge accounting not applied	9,851	9,851	—	4,295	4,295	—	38	38	—
Hedge accounting applied	180,774	180,774	—	27,565	27,565	—	248	248	—

*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 ¥931,092 million and ¥839,059 million (U.S. \$7,559 million) as of March 31, 2018 and 2019, 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, 2018 and 2019.

1) Held-to-maturity debt securities

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2018			2019			2019		
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	¥ 394,228	¥ 423,565	¥ 29,336	¥ 358,543	¥ 387,748	¥ 29,205	\$ 3,230	\$ 3,493	\$ 263
Foreign securities (bonds)	1,493,938	1,778,660	284,722	1,440,600	1,743,924	303,324	12,979	15,712	2,732
Fair value does not exceed the balance sheet amount									
Bonds	106	105	(0)	522	521	(0)	4	4	(0)
Foreign securities (bonds)	—	—	—	—	—	—	—	—	—
Total	1,888,273	2,202,331	314,058	1,799,665	2,132,194	332,529	16,214	19,210	2,996

2) Policy-reserve-matching bonds

As of March 31	Millions of Yen						Millions of U.S. Dollars		
	2018			2019			2019		
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	¥10,397,017	¥12,388,306	¥1,991,289	¥10,988,196	¥13,119,392	¥2,131,195	\$ 99,001	\$118,203	\$19,201
Foreign securities (bonds)	87,797	91,618	3,820	416,916	432,782	15,865	3,756	3,899	142
Fair value does not exceed the balance sheet amount									
Bonds	537,536	497,343	(40,193)	151,573	146,912	(4,661)	1,365	1,323	(41)
Foreign securities (bonds)	184,442	179,379	(5,063)	117,641	114,489	(3,151)	1,059	1,031	(28)
Total	11,206,795	13,156,647	1,949,852	11,674,328	13,813,577	2,139,248	105,183	124,457	19,274

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, 2018 and 2019.

3) Available-for-sale securities

As of March 31	Millions of Yen						Millions of U.S. Dollars			
	2018			2019			2019			
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	136,556	143,818	7,261	151,297	159,271	7,973	1,363	1,435	71	
Bonds	1,145,648	1,228,359	82,711	1,660,058	1,764,458	104,399	14,956	15,897	940	
Stocks	737,091	1,723,815	986,723	658,977	1,605,890	946,912	5,937	14,468	8,531	
Foreign securities	3,284,045	3,421,553	137,507	5,442,279	5,727,096	284,817	49,033	51,600	2,566	
Foreign bonds	3,163,585	3,298,255	134,670	5,052,299	5,325,762	273,463	45,520	47,984	2,463	
Other foreign securities	120,460	123,297	2,837	389,980	401,333	11,353	3,513	3,615	102	
Other securities	34,983	48,789	13,806	57,271	72,548	15,276	516	653	137	
Balance sheet amount does not exceed acquisition costs or amortized costs										
Negotiable certificates of deposit	441,100	441,084	(15)	386,800	386,779	(20)	3,484	3,484	(0)	
Monetary claims bought	65,766	65,674	(92)	14,999	14,988	(11)	135	135	(0)	
Bonds	503,611	486,145	(17,466)	86,513	85,159	(1,353)	779	767	(12)	
Stocks	101,508	88,848	(12,659)	180,614	142,018	(38,595)	1,627	1,279	(347)	
Foreign securities	3,976,319	3,835,717	(140,601)	2,220,984	2,185,939	(35,044)	20,010	19,694	(315)	
Foreign bonds	3,876,399	3,736,152	(140,246)	2,131,873	2,097,173	(34,699)	19,207	18,895	(312)	
Other foreign securities	99,919	99,564	(355)	89,111	88,766	(345)	802	799	(3)	
Other securities	10,000	9,940	(60)	52,623	52,469	(153)	474	472	(1)	
Total	10,436,630	11,493,745	1,057,115	10,912,420	12,196,621	1,284,201	98,318	109,889	11,570	

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, 2018

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	¥1,301,462	¥ —	¥ —	¥ —
Call loans	187,361	—	—	—
Monetary claims bought	49,629	751	269	225,416
Securities	567,009	2,294,060	5,495,859	12,842,958
Held-to-maturity debt securities	65,428	196,116	638,295	986,561
Policy-reserve-matching bonds	136,707	517,935	1,697,358	8,781,093
Available-for-sale securities	364,874	1,580,008	3,160,206	3,075,302
Loans	1,029,722	629,709	514,079	273,052
Corporate bonds	—	—	—	499,924
Payables under repurchase agreements	860,119	—	—	—
Payables under securities borrowing transactions	1,116,092	—	—	—

As of March 31, 2019

	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	¥1,509,947	¥ —	¥ —	¥ —	\$13,604	\$ —	\$ —	\$ —
Call loans	238,792	—	—	—	2,151	—	—	—
Monetary claims bought	14,446	267	275	294,271	130	2	2	2,651
Securities	351,172	2,127,895	6,043,472	13,339,419	3,164	19,171	54,450	120,185
Held-to-maturity debt securities	54,118	184,416	595,915	963,653	487	1,661	5,369	8,682
Policy-reserve-matching bonds	20,796	522,045	2,040,638	9,009,764	187	4,703	18,385	81,176
Available-for-sale securities	276,258	1,421,433	3,406,919	3,366,001	2,489	12,806	30,695	30,327
Loans	1,214,128	518,500	478,753	363,840	10,939	4,671	4,313	3,278
Corporate bonds	—	—	—	499,924	—	—	—	4,504
Payables under repurchase agreements	1,893,213	—	—	—	17,057	—	—	—
Payables under securities borrowing transactions	772,360	—	—	—	6,958	—	—	—

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

No ending balances as of March 31, 2018 and 2019.

b) Hedge accounting applied

As of March 31, 2018

Hedge accounting model	Type	Main hedged items	Millions of Yen		Fair value
			Notional amount/ contract value (A)	Over 1 year included in (A)	
Exceptional method	Interest rate swaps				
	Receipts fixed, payments floating	Loans	¥17,520	¥14,236	¥119
	Receipts floating, payments fixed	Loans	47,808	47,808	660
Deferred hedge method	Interest rate swaps				
	Receipts fixed, payments floating	Loans	15,000	15,000	(79)
Total					701

As of March 31, 2019

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
Exceptional method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	¥14,236	¥ 4,535	¥ 64	\$128	\$ 40	\$0
	Receipts floating, payments fixed	Loans	49,945	49,945	349	450	450	3
Deferred hedge method	Interest rate swaps							
	Receipts fixed, payments floating	Loans	15,000	15,000	39	135	135	0
Total					452			4

*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, 2018

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	¥333,609	¥ —	¥13,762	¥13,762
(Australian dollar)	214,582	—	11,972	11,972
(U.S. dollar)	89,636	—	1,886	1,886
(Euro)	21,527	—	(55)	(55)
Bought	276,116	—	(3,911)	(3,911)
(Australian dollar)	51,245	—	32	32
(U.S. dollar)	171,648	—	(3,618)	(3,618)
(Euro)	53,012	—	(325)	(325)
Currency options				
Sold				
Call	—	—	—	—
(U.S. dollar)	[—]	—	—	—
Bought	—	—	—	—
Put	—	—	—	—
(U.S. dollar)	[—]	—	—	—
Total				9,851

As of March 31, 2019

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	¥652,734	¥ —	¥ 7,430	¥ 7,430	\$5,881	\$ —	\$ 66	\$ 66
(Australian dollar)	462,061	—	8,999	8,999	4,163	—	81	81
(U.S. dollar)	147,543	—	(2,178)	(2,178)	1,329	—	(19)	(19)
(Euro)	32,214	—	509	509	290	—	4	4
Bought	291,802	—	(6,908)	(6,908)	2,629	—	(62)	(62)
(Australian dollar)	266,038	—	(7,036)	(7,036)	2,396	—	(63)	(63)
(U.S. dollar)	23,024	—	125	125	207	—	1	1
(Euro)	400	—	(0)	(0)	3	—	(0)	(0)
Currency options								
Sold								
Call	172,500	—	—	—	1,554	—	—	—
(U.S. dollar)	[465]	—	425	39	[4]	—	3	0
Bought	—	—	—	—	—	—	—	—
Put	157,500	—	—	—	1,419	—	—	—
(U.S. dollar)	[1,585]	—	1,434	(151)	[14]	—	12	(1)
Total				410				3

*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, 2018

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	Sold	¥6,803,557	¥187,916	¥180,238
			(U.S. dollar)	3,704,596	127,932	141,139
			(Euro)	1,821,424	—	9,954
			(Australian dollar)	981,860	59,984	23,450
Allocation method	Foreign currency forward contracts	Foreign-currency-denominated assets	Sold	53,778	—	(18,082)
			(Australian dollar)	53,778	—	(18,082)
Allocation method	Currency swaps	Foreign-currency-denominated assets	(U.S. dollar)	141,197	141,197	12,310
			(U.S. dollar)	141,197	141,197	12,310
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	(U.S. dollar)	244,924	244,924	(5,221)
			(U.S. dollar)	244,924	244,924	(5,221)
Deferred hedge method	Currency swaps	Foreign-currency-denominated assets	(U.S. dollar)	26,780	26,780	615
			(U.S. dollar)	24,326	24,326	808
Total						169,860

As of March 31, 2019

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	Sold	¥6,760,420	¥437,618	¥ 28,497	\$60,910	\$3,942	\$ 256
			(U.S. dollar)	3,009,559	—	(37,510)	27,115	—	(337)
			(Euro)	2,404,420	—	73,119	21,663	—	658
			(Australian dollar)	952,792	437,618	(4,106)	8,584	3,942	(36)
Allocation method	Foreign currency forward contracts	Foreign-currency-denominated assets	Sold	—	—	—	—	—	—
			(Australian dollar)	—	—	—	—	—	—
Allocation method	Currency swaps	Foreign-currency-denominated assets	(U.S. dollar)	155,908	155,908	8,192	1,404	1,404	73
			(U.S. dollar)	155,908	155,908	8,192	1,404	1,404	73
Allocation method	Currency swaps	Foreign-currency-denominated liabilities	(U.S. dollar)	244,924	244,924	11,553	2,206	2,206	104
			(U.S. dollar)	244,924	244,924	11,553	2,206	2,206	104
Deferred hedge method	Currency swaps	Foreign-currency-denominated assets	(U.S. dollar)	37,806	37,806	(972)	340	340	(8)
			(U.S. dollar)	35,351	35,351	(893)	318	318	(8)
Total								425	

*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, 2018

		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures Sold	¥ 9,758	¥ —	¥(231)	¥(231)
	Bought	10,903	—	231	231
Total					(0)

As of March 31, 2019

		Millions of Yen				Millions of U.S. Dollars			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions	Stock index futures Sold	¥ 684	¥ —	¥ 3	¥ 3	\$ 6	\$ —	\$ 0	\$ 0
	Bought	5,568	—	(5)	(5)	50	—	(0)	(0)
Total					(1)				(0)

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

b) Hedge accounting applied

No ending balances as of March 31, 2018 and 2019.

4) Other

a) Hedge accounting not applied

As of March 31, 2018

		Millions of Yen			
Classification	Type	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Over-the-counter transactions	Multi-Asset index options Sold	¥ —	¥ —		
		[—]		¥ —	¥ —
	Bought	—	—		
		[—]		—	—
Total					—

As of March 31, 2019

		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)
Over-the-counter transactions	Multi-Asset index options Sold	¥78,933	¥ —			\$711	\$ —		
		[34]	—	¥ 197	¥ (163)	[0]	—	\$ 1	\$ (1)
	Bought	72,059	—			649	—		
		[1,567]	—	2,963	1,395	14	—	26	12
Total					1,232				11

*1.Option fees are shown in [].

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

b) Hedge accounting applied

No ending balances as of March 31, 2018 and 2019.

Note 4

Fair Value of Investment and Rental Property

The carrying amounts for investment and rental properties were ¥389,919 million and ¥383,454 million (U.S. \$3,454 million), and their fair values were ¥464,822 million and ¥482,402 million (U.S. \$4,346 million) as of March 31, 2018 and 2019, 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 ¥1,383 million and ¥1,326 million (U.S. \$11 million) as of March 31, 2018 and 2019, respectively.

Note 5

Securities Lending

Securities loaned under security lending agreements amounted to ¥2,962,410 million and ¥3,420,988 million (U.S. \$30,822 million) as of March 31, 2018 and 2019, respectively.

Note 6

Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥417,823 million and ¥414,133 million (U.S. \$3,731 million) as of March 31, 2018 and 2019, respectively.

Note 7

Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118 of the Insurance Business Act were ¥986,044 million and ¥829,521 million (U.S. \$7,473 million) as of March 31, 2018 and 2019, 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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Monetary receivable	¥49,198	¥51,312	\$462
Monetary payable	11,554	12,108	109

Note 9

Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
At the beginning of the fiscal year	¥245,951	¥235,548	\$2,122
Transfer from surplus in the previous fiscal year	51,735	52,804	475
Dividend payments to policyholders during the fiscal year	(62,177)	(62,064)	(559)
Interest accrued during the fiscal year	39	35	0
At the end of the fiscal year	¥235,548	¥226,323	\$2,039

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 ¥768,952 million and ¥930,652 million (U.S. \$8,385 million) as of March 31, 2018 and 2019, respectively.

Accrued Retirement Benefits

Assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2018 and 2019 were as follows:

	2018	2019
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	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.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
At the beginning of the fiscal year	¥294,955	¥284,862	\$2,566
Service costs	12,760	12,085	108
Interest costs on projected benefit obligations	4,331	4,196	37
Actuarial losses (gains)	2,702	1,770	15
Benefits paid	(18,501)	(20,904)	(188)
Past service costs	(11,385)	—	—
At the end of the fiscal year	¥284,862	¥282,010	\$2,540

b) Changes in the plan assets for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
At the beginning of the fiscal year	¥292,612	¥307,619	\$2,771
Expected return on plan assets	4,816	3,759	33
Actuarial gains (losses)	11,019	(13,979)	(125)
Contribution by employer	6,388	6,419	57
Benefits paid	(7,218)	(9,015)	(81)
At the end of the fiscal year	¥307,619	¥294,803	\$2,656

c) The amounts of the defined benefit liabilities and the defined benefit assets in the non-consolidated balance sheets as of March 31, 2018 and 2019 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Present value of funded obligations	¥ 284,862	¥ 282,010	\$ 2,540
Plan assets at fair value	(307,619)	(294,803)	(2,656)
Net present value of funded obligations	(22,756)	(12,793)	(115)
Unrecognized actuarial gains (losses)	43,769	21,513	193
Unrecognized past service costs	11,069	7,274	65
Net value on the balance sheet	32,082	15,994	144
Accrued retirement benefits	32,082	19,371	174
Prepaid pension cost	—	(3,376)	(30)
Net value on the balance sheet	¥ 32,082	¥ 15,994	\$ 144

d) The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Service costs	¥12,760	¥12,085	\$108
Interest costs on projected benefit obligations	4,331	4,196	37
Expected return on plan assets	(4,816)	(3,759)	(33)
Amortization of net actuarial losses (gains)	(7,653)	(6,506)	(58)
Amortization of net past service costs	(316)	(3,795)	(34)
Retirement benefit expenses	¥ 4,305	¥ 2,220	\$ 20

e) The plan assets

The plan assets as of March 31, 2018 and 2019 were comprised as follows:

	% of total fair value of plan assets	
	2018	2019
General accounts of life insurance companies	41	43
Equity securities	43	39
Investment trusts	6	7
Debt securities	5	5
Others	5	6
Total	100	100

47% and 44% of the plan assets were the retirement benefit trusts as of March 31, 2018 and 2019, 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 are 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, 2018 and 2019 were as follows:

	2018	2019
Discount rate	1.473%	1.473%
Expected long-term rates of return on the plan assets		
Defined benefit pension plans	3.0%	2.3%
Retirement benefit trusts	0.0%	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥930 million and ¥969 million (U.S. \$8 million) for the fiscal years ended March 31, 2018 and 2019, 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 ¥70,000 million and ¥50,000 million (U.S. \$450 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, 2018 and 2019, respectively.

Note 14**Pledged Assets**

Assets pledged as collateral were securities in the amounts of ¥1,473,833 million and ¥1,566,969 million (U.S. \$14,118 million) as of March 31, 2018 and 2019, respectively.

Note 15**Equity Investments in Subsidiaries**

Total amounts of equity investments in subsidiaries were ¥645,489 million and ¥620,073 million (U.S. \$5,586 million) as of March 31, 2018 and 2019, 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 ¥909 million and ¥787 million (U.S. \$7 million) as of March 31, 2018 and 2019, respectively.

The amounts of loans to bankrupt borrowers were nil and nil, and loans in arrears were ¥909 million and ¥787 million (U.S. \$7 million) as of March 31, 2018 and 2019, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets were ¥22 million and ¥21 million (U.S. \$0 million) for loans in arrears as of March 31, 2018 and 2019, 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 nil and nil as of March 31, 2018 and 2019, 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, 2018 and 2019, 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 17

Loan Commitments

The amounts of loan commitments outstanding were ¥10,149 million and ¥10,000 million (U.S. \$90 million) as of March 31, 2018 and 2019, 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 ¥12 million and ¥14 million (U.S. \$0 million) as of March 31, 2018 and 2019, 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 ¥1,155 million and ¥1,171 million (U.S. \$10 million) as of March 31, 2018 and 2019, 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 ¥39,400 million and ¥38,076 million (U.S. \$343 million) as of March 31, 2018 and 2019, 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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Domestic bonds including national government bonds	¥53,092	¥80,132	\$721
Domestic stocks	17,937	13,049	117
Foreign securities	7,683	7,175	64

Major components of losses on sales of securities for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Domestic bonds including national government bonds	¥ 138	¥ 3,440	\$ 31
Domestic stocks	2,937	2,593	23
Foreign securities	40,553	86,792	781

Major components of losses on valuation of securities for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Domestic stocks	¥276	¥1,453	\$13
Foreign securities	—	1,293	11

Major components of gains (losses) on trading securities for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Interest and dividend income	¥ 18	¥ 10	\$ 0
Gains (losses) on sales of securities	388	(41)	(0)
Gains (losses) on valuation	(5)	5	0

Gains or losses on derivative financial instruments, net, included net valuation gains of ¥89,527 million and losses of ¥33,261 million (U.S. \$299 million) for the fiscal years ended March 31, 2018 and 2019, 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, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ (32)	¥ 1	\$0
Provision for (reversal of) reinsurance recoverable on policy reserves	1,042	15	0

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, 2018 and 2019, 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, 2018 and 2019

Asset Group	Asset Category	Millions of Yen		Millions of U.S. Dollars
		2018	2019	2019
Real estates for investment	Land and buildings	¥5,711	¥ —	\$ —
Idle assets, etc.	Land and buildings	658	10,443	94
Total		¥6,369	¥10,443	\$94

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, 2018 and 2019 were recognized as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Deferred tax assets	¥476,915	¥515,852	\$4,647
Valuation allowance for deferred tax assets	(12,191)	(19,657)	(177)
Subtotal	464,723	496,195	4,470
Deferred tax liabilities	(310,008)	(372,216)	(3,353)
Net deferred tax assets(liabilities)	154,714	123,979	1,117

Major components of deferred tax assets/liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Deferred tax assets:			
Policy reserves and other reserves	¥195,372	¥207,776	\$1,872
Reserve for price fluctuation	183,682	208,147	1,875
Accrued retirement benefits	41,493	36,995	333
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	298,220	361,369	3,255

2) The actual effective income tax rates were 3.2% and 18.4% for the fiscal years ended March 31, 2018 and 2019, respectively. Major components in the differences with the statutory effective income tax rates were as follows:

	2018	2019
Policyholders' dividend reserves	(23.0)%	(18.9)%
Losses on valuation of shares of subsidiaries and affiliates	—	9.6 %

Note **24**

Transactions with Subsidiaries

The total amounts of income and expenses resulting from transactions with subsidiaries for the fiscal years ended March 31, 2018 and 2019 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2019	2019
Total income	¥11,800	¥ 6,836	\$ 61
Total expenses	17,390	16,470	148

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 ¥157,703 million and ¥63,886 million (U.S. \$575 million), and none of the securities was pledged as collateral as of March 31, 2018 and 2019, respectively.

Note **27**

Subsequent Events

On June 26, 2019, the Company issued subordinated debt of ¥50,000 million (U.S. \$450 million), the repayments of which are subordinated to other obligations.

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, 2018 and 2019, 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, 2018 and 2019, 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, 2019 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 28, 2019
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

CONTENTS

107	Breakdown of Ordinary Profit (Core Business Profit)
108	Fair Value Information of Securities (Company Total)
116	Assets
137	Liabilities
144	Net Assets
145	Insurance-related Income
149	Investment-related Income
152	Others
154	Policy Amount-related Statistics
160	Indicators Related to Separate Accounts
166	Business Indicators
169	Status of Consolidated Financial Results (Supplemental)

Notes: 1. U.S. dollar amounts are converted at U.S. \$1.00 = ¥110.99, the rate prevailing on March 31, 2019.
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, 2018	Fiscal year ended March 31, 2019
Core business profit A	352,581	377,090
Capital gains	89,534	104,789
Gains on trading securities	401	—
Gains on sales of securities	78,714	100,357
Foreign exchange gains	—	4,432
Other capital gains	10,419	—
Capital losses	135,915	203,677
Losses on trading securities	—	25
Losses on sales of securities	43,629	92,827
Losses on valuation of securities	276	2,746
Losses on derivative financial instruments	89,723	99,104
Foreign exchange losses	2,286	—
Other capital losses	—	8,973
Net capital gains / losses B	(46,380)	(98,887)
Core business profit including net capital gains / losses A+B	306,201	278,202
Nonrecurring gains	10	—
Reversal of specific allowance for possible loan losses	10	—
Nonrecurring losses	76,277	77,610
Provision for contingency reserve	15,700	14,900
Provision for specific allowance for possible loan losses	—	62
Other nonrecurring losses	60,577	62,647
Nonrecurring gains / losses C	(76,267)	(77,610)
Ordinary profit A+B+C	229,933	200,591

(Reference) Breakdown of other items

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	
Core business profit	Financial impact of fluctuations in the surrender benefits amount concerning market value adjustment	(266)	234
	Financial impact of market exchange rate fluctuations concerning foreign currency-denominated insurance policies	(10,153)	7,523
	Financial impact of fluctuations in insurance reserve funds concerning index linking	—	1,214
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 capital losses	Financial impact of fluctuations in the surrender benefits amount concerning market value adjustment	—	234
	Financial impact of market exchange rate fluctuations concerning foreign currency-denominated insurance policies	—	7,523
	Financial impact of fluctuations in insurance reserve funds concerning index linking	—	1,214
Other nonrecurring losses	Additional provisions of insurance reserve funds for part of the individual annuity contracts after the commencement of annuity payments	60,577	62,647

Fair Value Information of Securities (Company Total)

1. Fair Value Information of Securities (Company Total)

a. Net valuation gains (losses) on trading securities

Classification	As of March 31, 2018		As of March 31, 2019	
	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	917,228	(24,463)	782,809	(25,801)

(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 2019.

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

Classification	As of March 31, 2018					As of March 31, 2019				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	1,888,273	2,202,331	314,058	314,058	(0)	1,799,665	2,132,194	332,529	332,529	(0)
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)	11,674,328	13,813,577	2,139,248	2,147,061	(7,813)
Investments in subsidiaries and affiliated companies	33,173	53,967	20,793	20,793	—	33,173	55,574	22,400	22,400	—
Available-for-sale securities	10,436,630	11,493,745	1,057,115	1,228,009	(170,894)	10,912,420	12,196,621	1,284,201	1,359,380	(75,178)
Domestic bonds	1,649,259	1,714,504	65,245	82,711	(17,466)	1,746,572	1,849,618	103,045	104,399	(1,353)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	839,591	1,747,909	908,317	946,912	(38,595)
Foreign securities	7,260,364	7,257,270	(3,094)	137,507	(140,601)	7,663,264	7,913,036	249,772	284,817	(35,044)
Foreign bonds	7,039,984	7,034,408	(5,576)	134,670	(140,246)	7,184,172	7,422,935	238,763	273,463	(34,699)
Other foreign securities	220,380	222,862	2,482	2,837	(355)	479,091	490,100	11,008	11,353	(345)
Other securities	44,983	58,729	13,746	13,806	(60)	109,895	125,018	15,123	15,276	(153)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	166,297	174,259	7,962	7,973	(11)
Negotiable certificates of deposit	441,100	441,084	(15)	—	(15)	386,800	386,779	(20)	—	(20)
Others	—	—	—	—	—	—	—	—	—	—
Total	23,564,872	26,906,692	3,341,819	3,557,971	(216,152)	24,419,588	28,197,967	3,778,379	3,861,372	(82,992)
Domestic bonds	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)	13,245,407	15,504,192	2,258,784	2,264,800	(6,015)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	839,591	1,747,909	908,317	946,912	(38,595)
Foreign securities	9,059,717	9,360,895	301,178	446,843	(145,665)	9,671,596	10,259,807	588,211	626,408	(38,196)
Foreign bonds	8,806,163	9,084,066	277,902	423,212	(145,309)	9,159,330	9,714,132	554,802	592,654	(37,851)
Other foreign securities	253,554	276,829	23,275	23,631	(355)	512,265	545,674	33,408	33,753	(345)
Other securities	44,983	58,729	13,746	13,806	(60)	109,895	125,018	15,123	15,276	(153)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	166,297	174,259	7,962	7,973	(11)
Negotiable certificates of deposit	441,100	441,084	(15)	—	(15)	386,800	386,779	(20)	—	(20)
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, 2018			As of March 31, 2019		
		Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	394,228	423,565	29,336	358,543	387,748	29,205
	Foreign securities (bonds)	1,493,938	1,778,660	284,722	1,440,600	1,743,924	303,324
Fair value does not exceed the balance sheet amount	Bonds	106	105	(0)	522	521	(0)
	Foreign securities (bonds)	—	—	—	—	—	—
Total		1,888,273	2,202,331	314,058	1,799,665	2,132,194	332,529

●Policy-reserve-matching bonds

Millions of Yen

		As of March 31, 2018			As of March 31, 2019		
		Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,397,017	12,388,306	1,991,289	10,988,196	13,119,392	2,131,195
	Foreign securities (bonds)	87,797	91,618	3,820	416,916	432,782	15,865
Fair value does not exceed the balance sheet amount	Bonds	537,536	497,343	(40,193)	151,573	146,912	(4,661)
	Foreign securities (bonds)	184,442	179,379	(5,063)	117,641	114,489	(3,151)
Total		11,206,795	13,156,647	1,949,852	11,674,328	13,813,577	2,139,248

● Available-for-sale securities

		Millions of Yen					
		As of March 31, 2018			As of March 31, 2019		
	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	136,556	143,818	7,261	151,297	159,271	7,973
	Domestic bonds	1,145,648	1,228,359	82,711	1,660,058	1,764,458	104,399
	Domestic stocks	737,091	1,723,815	986,723	658,977	1,605,890	946,912
	Foreign securities	3,284,045	3,421,553	137,507	5,442,279	5,727,096	284,817
	Foreign bonds	3,163,585	3,298,255	134,670	5,052,299	5,325,762	273,463
	Other foreign securities	120,460	123,297	2,837	389,980	401,333	11,353
	Other securities	34,983	48,789	13,806	57,271	72,548	15,276
Balance sheet amount does not exceed acquisition costs or amortized costs	Negotiable certificates of deposit	441,100	441,084	(15)	386,800	386,779	(20)
	Monetary claims bought	65,766	65,674	(92)	14,999	14,988	(11)
	Domestic bonds	503,611	486,145	(17,466)	86,513	85,159	(1,353)
	Domestic stocks	101,508	88,848	(12,659)	180,614	142,018	(38,595)
	Foreign securities	3,976,319	3,835,717	(140,601)	2,220,984	2,185,939	(35,044)
	Foreign bonds	3,876,399	3,736,152	(140,246)	2,131,873	2,097,173	(34,699)
	Other foreign securities	99,919	99,564	(355)	89,111	88,766	(345)
	Other securities	10,000	9,940	(60)	52,623	52,469	(153)
Total		10,436,630	11,493,745	1,057,115	10,912,420	12,196,621	1,284,201

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

		Millions of Yen	
		As of March 31, 2018	As of March 31, 2019
Held-to-maturity debt securities		—	—
Unlisted foreign bonds		—	—
Others		—	—
Policy-reserve-matching bonds		—	—
Investments in subsidiaries and affiliated companies		612,315	586,899
Available-for-sale securities		309,293	243,910
Unlisted domestic stocks (excluding over-the-counter stocks)		13,620	16,136
Unlisted foreign stocks (excluding over-the-counter stocks)		293,558	224,558
Unlisted foreign bonds		—	—
Others		2,114	3,215
Total		921,609	830,809

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, 2018 and 2019.

b. Money-held-in trusts except for trading

Omitted as there are no ending balances for March 31, 2018 and 2019.

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
Others	—	Multi-asset index 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, 2018	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
Interest rate swaps				
Interest rate swaptions (Bought)	803	791	6	8
Foreign currency forward contracts	74,670	77,049	3,082	2,039
Currency swaps				
Currency options (Bought)	4,129	5,961	518	569
Multi-asset index options (Bought)	—	720	—	101
Total			2,939	1,744

(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, 2018						As of March 31, 2019					
	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	452	47,271	—	—	—	47,723
Hedge accounting not applied	—	9,851	(0)	—	—	9,851	—	410	(1)	—	1,232	1,641
Total	701	179,712	(0)	—	—	180,413	452	47,681	(1)	—	1,232	49,365

(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 gains of ¥180,238 million and gains of ¥28,497 million in currency-related as of March 31, 2018 and 2019, respectively.

● Interest-related

(Hedge accounting not applied)

Omitted as there are no ending balances for March 31, 2018 and 2019.

(Hedge accounting applied)

Millions of Yen

Hedge accounting model	Type	Main hedged items	As of March 31, 2018			As of March 31, 2019		
			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	(79)	15,000	15,000	39
			17,520	14,236	119	14,236	4,535	64
Exceptional method	Interest rate swaps Receipts floating, payments fixed	Loans	47,808	47,808	660	49,945	49,945	349
			Total			701	452	

●Currency-related

(Hedge accounting not applied)

Millions of Yen

Classification	Type	As of March 31, 2018			As of March 31, 2019				
		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	333,609	—	13,762	13,762	652,734	—	7,430	7,430
	(Australian dollar)	214,582	—	11,972	11,972	462,061	—	8,999	8,999
	(U.S. dollar)	89,636	—	1,886	1,886	147,543	—	(2,178)	(2,178)
	(Euro)	21,527	—	(55)	(55)	32,214	—	509	509
	Bought	276,116	—	(3,911)	(3,911)	291,802	—	(6,908)	(6,908)
	(Australian dollar)	51,245	—	32	32	266,038	—	(7,036)	(7,036)
	(U.S. dollar)	171,648	—	(3,618)	(3,618)	23,024	—	125	125
	(Euro)	53,012	—	(325)	(325)	400	—	(0)	(0)
	Currency options								
	Sold								
	Call	—	—	—	—	172,500	—	—	—
	(U.S. dollar)	[—]	—	—	—	[465]	—	425	39
	Bought								
	Put	—	—	—	—	157,500	—	—	—
	(U.S. dollar)	[—]	—	—	—	[1,585]	—	1,434	(151)
		[—]	—	—	—	[1,585]	—	1,434	(151)
Total					9,851				410

(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, 2018			As of March 31, 2019		
			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		6,803,557	187,916	180,238	6,760,420	437,618	28,497
	(U.S. dollar)		3,704,596	127,932	141,139	3,009,559	—	(37,510)
	(Euro)		1,821,424	—	9,954	2,404,420	—	73,119
	(Australian dollar)		981,860	59,984	23,450	952,792	437,618	(4,106)
Deferred hedge method	Currency swaps	Assets denominated in foreign currencies	26,780	26,780	615	37,806	37,806	(972)
	(U.S. dollar)		24,326	24,326	808	35,351	35,351	(893)
	(Euro)		2,454	2,454	(193)	2,454	2,454	(78)
Allocation method	Foreign currency forward contracts	Assets denominated in foreign currencies						
	Sold		53,778	—	(18,082)	—	—	—
	(Australian dollar)		53,778	—	(18,082)	—	—	—
	Currency swaps	Assets denominated in foreign currencies	141,197	141,197	12,310	155,908	155,908	8,192
	(U.S. dollar)		141,197	141,197	12,310	155,908	155,908	8,192
	Currency swaps	Liabilities denominated in foreign currencies	244,924	244,924	(5,221)	244,924	244,924	11,553
	(U.S. dollar)		244,924	244,924	(5,221)	244,924	244,924	11,553
Total					169,860			47,271

●Stock-related

(Hedge accounting not applied)

Millions of Yen

Classification	Type	As of March 31, 2018			As of March 31, 2019				
		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	
Exchange-traded transactions	Stock index futures								
	Sold	9,758	—	(231)	(231)	684	—	3	3
	Bought	10,903	—	231	231	5,568	—	(5)	(5)
Total					(0)				(1)

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

(Hedge accounting applied)

Omitted as there are no ending balances for March 31, 2018 and 2019.

●Bond-related

(Hedge accounting not applied)

Omitted as there are no ending balances for March 31, 2018 and 2019.

(Hedge accounting applied)

Omitted as there are no ending balances for March 31, 2018 and 2019.

●Others (Company Total)

(Hedge accounting not applied)

Millions of Yen

Classification	Type	As of March 31, 2018			As of March 31, 2019				
		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	Multi-asset index options								
	Sold								
	Call	—	—	—	—	78,933	—	197	(163)
		[—]	—	—	—	[34]			
	Bought								
	Call	—	—	—	—	72,059	—		
		[—]	—	—	—	[1,567]		2,963	1,395
Total					—				1,232

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

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

(Hedge accounting applied)

Omitted as there are no ending balances for March 31, 2018 and 2019.

Assets

1. Portfolio Trends (General Account)

a. Asset structure

Classification	Millions of Yen, %			
	As of March 31, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Cash, deposits and call loans	1,443,490	4.7	1,728,859	5.4
Monetary claims bought	283,252	0.9	317,252	1.0
Investment in securities	24,902,898	81.5	25,981,809	81.4
Domestic bonds	13,043,393	42.7	13,348,453	41.8
Domestic stocks	1,933,967	6.3	1,868,704	5.9
Foreign securities	9,864,763	32.3	10,636,418	33.3
Foreign bonds	8,800,982	28.8	9,398,093	29.4
Other foreign securities	1,063,780	3.5	1,238,325	3.9
Other securities	60,773	0.2	128,231	0.4
Loans	2,781,305	9.1	2,874,970	9.0
Policy loans	294,742	1.0	289,747	0.9
Industrial and consumer loans	2,486,563	8.1	2,585,222	8.1
Real estate	571,641	1.9	553,738	1.7
Investment property	388,745	1.3	380,980	1.2
Deferred tax assets	154,714	0.5	123,979	0.4
Other assets	425,958	1.4	337,027	1.1
Allowance for possible loan losses	(921)	(0.0)	(870)	(0.0)
Total	30,562,340	100.0	31,916,765	100.0
Foreign currency denominated assets	9,252,661	30.3	10,117,094	31.7

(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, 2018	Fiscal year ended March 31, 2019
	Amount	Amount
Cash, deposits and call loans	436,474	285,368
Monetary claims bought	52,733	34,000
Investment in securities	1,288,388	1,078,910
Domestic bonds	81,501	305,059
Domestic stocks	233,359	(65,263)
Foreign securities	1,055,420	771,655
Foreign bonds	961,764	597,111
Other foreign securities	93,655	174,544
Other securities	(81,892)	67,458
Loans	(191,383)	93,665
Policy loans	(8,548)	(4,994)
Industrial and consumer loans	(182,834)	98,659
Real estate	(7,169)	(17,903)
Investment property	(13,220)	(7,765)
Deferred tax assets	30,104	(30,735)
Other assets	148,718	(88,930)
Allowance for possible loan losses	211	51
Total	1,758,078	1,354,425
Foreign currency denominated assets	1,884,891	864,432

(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, 2018	Fiscal year ended March 31, 2019
Cash, deposits and call loans	(3.18)	3.86
Monetary claims bought	1.24	1.11
Investment in securities	2.02	1.83
Domestic bonds	2.10	2.20
Domestic stocks	3.92	5.11
Foreign securities	1.58	0.99
Foreign bonds	1.50	0.96
Other foreign securities	2.21	1.23
Loans	1.04	1.12
Industrial and consumer loans	0.69	0.78
Real estate	2.98	2.94
Investment property	4.31	4.33
Total	1.80	1.64
Overseas investments	1.51	0.93

(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, 2018		Fiscal year ended March 31, 2019	
	Amount	Share	Amount	Share
Cash, deposits and call loans	879,218		1,282,354	
Monetary claims bought	253,515		284,961	
Investment in securities	23,437,082		24,492,284	
Domestic bonds	12,981,196		13,165,898	
Domestic stocks	923,070		963,279	
Foreign securities	9,438,824		10,270,272	
Foreign bonds	8,441,886		9,161,433	
Other foreign securities	996,937		1,108,838	
Loans	3,055,234		2,901,281	
Industrial and consumer loans	2,752,780		2,604,698	
Real estate	580,194		573,183	
Investment property	401,404		389,231	
Total	29,081,309		30,566,089	
Overseas investments	10,477,811		11,860,449	

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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
National government bonds	9,862,813	39.6	9,979,710	38.4
Local government bonds	114,815	0.5	128,733	0.5
Corporate bonds	3,065,764	12.3	3,240,009	12.5
Public entity bonds	1,860,806	7.5	2,077,089	8.0
Foreign-currency-denominated bonds	470,359	1.9	444,724	1.7
Domestic stocks	1,933,967	7.8	1,868,704	7.2
Foreign securities	9,864,763	39.6	10,636,418	40.9
Foreign bonds	8,800,982	35.3	9,398,093	36.2
Foreign-currency-denominated bonds	7,193,755	28.9	7,831,640	30.1
Other foreign securities	1,063,780	4.3	1,238,325	4.8
Foreign-currency-denominated other securities	760,731	3.1	909,479	3.5
Other securities	60,773	0.2	128,231	0.5
Total	24,902,898	100.0	25,981,809	100.0
Foreign-currency-denominated securities	8,424,846	33.8	9,185,845	35.4

7. Securities by Maturity Date (General Account)

(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

(As of March 31, 2019)

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	355,500	1,046,345	1,158,229	1,939,758	4,221,485	13,707,478	3,553,010	25,981,809
National government bonds	18,184	316,250	222,694	260,089	1,427,853	7,734,638	—	9,979,710
Local government bonds	4,003	—	2,805	6,015	—	115,908	—	128,733
Corporate bonds	31,933	90,793	222,797	264,570	471,271	1,822,337	336,305	3,240,009
Domestic stocks	—	—	—	—	—	—	1,868,704	1,868,704
Foreign securities	301,378	639,128	709,932	1,408,677	2,321,647	4,034,594	1,221,060	10,636,418
Foreign bonds	301,359	639,128	706,602	1,408,677	2,318,015	4,024,309	—	9,398,093
Other foreign securities	19	—	3,329	—	3,631	10,284	1,221,060	1,238,325
Other securities	—	174	—	404	713	—	126,938	128,231
Monetary claims bought	13,998	—	—	—	—	160,260	—	174,259
Negotiable certificates of deposit	386,779	—	—	—	—	—	—	386,779
Others	—	—	—	—	—	—	—	—
Total	756,279	1,046,345	1,158,229	1,939,758	4,221,485	13,867,739	3,553,010	26,542,848

(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, 2018	As of March 31, 2019
Hokkaido	—	—
Tohoku	—	—
Kanto	58,621	67,567
Chubu	25,485	29,872
Kinki	14,746	14,670
Chugoku	116	115
Shikoku	—	—
Kyushu	15,846	16,508
Total	114,815	128,733

9. Bonds Yields (General Account)

%

Classification	As of March 31, 2018	As of March 31, 2019
Domestic bonds	1.77	1.70
Foreign bonds	3.05	3.03

10. Domestic Stocks by Industry (General Account)

Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Fishery, agriculture and forestry	308	0.0	346	0.0
Mining	92	0.0	76	0.0
Construction	72,850	3.8	66,603	3.6
Manufacturing				
Food	75,310	3.9	71,668	3.8
Textiles and apparel	11,749	0.6	10,816	0.6
Pulp and paper	8,191	0.4	8,504	0.5
Chemicals	218,401	11.3	210,998	11.3
Pharmaceuticals	145,839	7.5	185,645	9.9
Oil and coal products	7,701	0.4	6,891	0.4
Rubber products	7,122	0.4	5,922	0.3
Glass and ceramic products	25,171	1.3	21,179	1.1
Iron and steel	23,762	1.2	19,679	1.1
Nonferrous metals	46,562	2.4	38,637	2.1
Metal products	11,161	0.6	8,273	0.4
Machinery	141,436	7.3	125,007	6.7
Electric appliances	249,618	12.9	212,089	11.3
Transportation equipment	58,865	3.0	47,199	2.5
Precision instruments	12,785	0.7	13,548	0.7
Other products	53,876	2.8	58,755	3.1
Electric power and gas	31,505	1.6	37,538	2.0
Transportation, information and communication				
Land transportation	174,378	9.0	214,023	11.5
Marine transportation	3,439	0.2	2,700	0.1
Air transportation	5,127	0.3	4,915	0.3
Warehousing and harbor transportation services	8,905	0.5	9,392	0.5
Information and communication	19,328	1.0	19,660	1.1
Trade and services				
Wholesale trade	114,684	5.9	108,329	5.8
Retail trade	32,031	1.7	24,775	1.3
Finance and insurance				
Banking	179,268	9.3	142,576	7.6
Securities and trading	6,823	0.4	4,920	0.3
Insurance	109,985	5.7	110,056	5.9
Other financial services	4,554	0.2	4,131	0.2
Real estate	25,639	1.3	28,228	1.5
Services	47,485	2.5	45,610	2.4
Total	1,933,967	100.0	1,868,704	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, 2018		As of March 31, 2019	
	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

(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 2019.

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, 2018					As of March 31, 2019				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	1,888,273	2,202,331	314,058	314,058	(0)	1,799,665	2,132,194	332,529	332,529	(0)
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)	11,674,328	13,813,577	2,139,248	2,147,061	(7,813)
Investments in subsidiaries and affiliated companies	33,173	53,967	20,793	20,793	—	33,173	55,574	22,400	22,400	—
Available-for-sale securities	10,436,630	11,493,745	1,057,115	1,228,009	(170,894)	10,912,420	12,196,621	1,284,201	1,359,380	(75,178)
Domestic bonds	1,649,259	1,714,504	65,245	82,711	(17,466)	1,746,572	1,849,618	103,045	104,399	(1,353)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	839,591	1,747,909	908,317	946,912	(38,595)
Foreign securities	7,260,364	7,257,270	(3,094)	137,507	(140,601)	7,663,264	7,913,036	249,772	284,817	(35,044)
Foreign bonds	7,039,984	7,034,408	(5,576)	134,670	(140,246)	7,184,172	7,422,935	238,763	273,463	(34,699)
Other foreign securities	220,380	222,862	2,482	2,837	(355)	479,091	490,100	11,008	11,353	(345)
Other securities	44,983	58,729	13,746	13,806	(60)	109,895	125,018	15,123	15,276	(153)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	166,297	174,259	7,962	7,973	(11)
Negotiable certificates of deposit	441,100	441,084	(15)	—	(15)	386,800	386,779	(20)	—	(20)
Others	—	—	—	—	—	—	—	—	—	—
Total	23,564,872	26,906,692	3,341,819	3,557,971	(216,152)	24,419,588	28,197,967	3,778,379	3,861,372	(82,992)
Domestic bonds	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)	13,245,407	15,504,192	2,258,784	2,264,800	(6,015)
Domestic stocks	838,599	1,812,663	974,063	986,723	(12,659)	839,591	1,747,909	908,317	946,912	(38,595)
Foreign securities	9,059,717	9,360,895	301,178	446,843	(145,665)	9,671,596	10,259,807	588,211	626,408	(38,196)
Foreign bonds	8,806,163	9,084,066	277,902	423,212	(145,309)	9,159,330	9,714,132	554,802	592,654	(37,851)
Other foreign securities	253,554	276,829	23,275	23,631	(355)	512,265	545,674	33,408	33,753	(345)
Other securities	44,983	58,729	13,746	13,806	(60)	109,895	125,018	15,123	15,276	(153)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	166,297	174,259	7,962	7,973	(11)
Negotiable certificates of deposit	441,100	441,084	(15)	—	(15)	386,800	386,779	(20)	—	(20)
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, 2018	As of March 31, 2019
Held-to-maturity debt securities	—	—
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Investments in subsidiaries and affiliated companies	612,315	586,899
Available-for-sale securities	309,293	243,910
Unlisted domestic stocks (excluding over-the-counter stocks)	13,620	16,136
Unlisted foreign stocks (excluding over-the-counter stocks)	293,558	224,558
Unlisted foreign bonds	—	—
Others	2,114	3,215
Total	921,609	830,809

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)
 - Individual life insurance and individual annuity denominated in U.S. dollars
 - Individual life insurance and individual annuity denominated in Australian dollars (excluding individual annuity denominated in designated currency (single premium) with a 5 yearly payment of dividend of interest gains)
 - 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, 2018 and 2019.

●Money-held-in trusts except for trading

Omitted as there are no ending balances for March 31, 2018 and 2019.

(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, 2018					As of March 31, 2019				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	1,888,273	2,202,331	314,058	314,058	(0)	1,799,665	2,132,194	332,529	332,529	(0)
Policy-reserve-matching bonds	11,206,795	13,156,647	1,949,852	1,995,109	(45,256)	11,674,328	13,813,577	2,139,248	2,147,061	(7,813)
Investments in subsidiaries and affiliated companies	645,489	590,344	(55,144)	20,793	(75,938)	620,073	589,539	(30,534)	22,813	(53,348)
Available-for-sale securities	10,745,924	11,812,522	1,066,598	1,237,549	(170,951)	11,156,330	12,448,781	1,292,450	1,367,633	(75,182)
Domestic bonds	1,649,259	1,714,504	65,245	82,711	(17,466)	1,746,572	1,849,618	103,045	104,399	(1,353)
Domestic stocks	852,220	1,826,284	974,063	986,723	(12,659)	855,727	1,764,045	908,317	946,912	(38,595)
Foreign securities	7,553,943	7,560,382	6,439	147,042	(140,603)	7,887,842	8,145,846	258,004	293,049	(35,045)
Foreign bonds	7,039,984	7,034,408	(5,576)	134,670	(140,246)	7,184,172	7,422,935	238,763	273,463	(34,699)
Other foreign securities	513,958	525,974	12,015	12,372	(356)	703,670	722,910	19,240	19,586	(345)
Other securities	47,077	60,773	13,695	13,811	(115)	113,090	128,231	15,140	15,297	(156)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	166,297	174,259	7,962	7,973	(11)
Negotiable certificates of deposit	441,100	441,084	(15)	—	(15)	386,800	386,779	(20)	—	(20)
Others	—	—	—	—	—	—	—	—	—	—
Total	24,486,482	27,761,846	3,275,363	3,567,511	(292,147)	25,250,397	28,984,092	3,733,694	3,870,039	(136,344)
Domestic bonds	12,978,148	15,023,825	2,045,676	2,103,337	(57,660)	13,245,407	15,504,192	2,258,784	2,264,800	(6,015)
Domestic stocks	959,903	1,933,967	974,063	986,723	(12,659)	960,387	1,868,704	908,317	946,912	(38,595)
Foreign securities	9,857,928	10,092,702	234,773	456,378	(221,604)	10,378,414	10,921,923	543,509	635,054	(91,545)
Foreign bonds	8,806,163	9,084,066	277,902	423,212	(145,309)	9,159,330	9,714,132	554,802	592,654	(37,851)
Other foreign securities	1,051,765	1,008,636	(43,129)	33,165	(76,295)	1,219,084	1,207,790	(11,293)	42,400	(53,693)
Other securities	47,077	60,773	13,695	13,811	(115)	113,090	128,231	15,140	15,297	(156)
Monetary claims bought	202,323	209,492	7,169	7,261	(92)	166,297	174,259	7,962	7,973	(11)
Negotiable certificates of deposit	441,100	441,084	(15)	—	(15)	386,800	386,779	(20)	—	(20)
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 ¥66,455 million and loss of ¥44,684 million as of March 31, 2018 and 2019, respectively.

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

Millions of Yen

Classification	As of March 31, 2018	As of March 31, 2019
Net gains (losses) on real estate	107,877	139,387

(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, 2018						As of March 31, 2019					
	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	452	47,271	—	—	—	47,723
Hedge accounting not applied	—	9,956	—	—	—	9,956	—	(313)	(7)	—	1,232	912
Total	701	179,816	—	—	—	180,518	452	46,957	(7)	—	1,232	48,636

(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 gains of ¥180,238 million and gains of ¥28,497 million in currency-related as of March 31, 2018 and 2019, respectively.

● Interest-related

Millions of Yen

Classification	Type	As of March 31, 2018				As of March 31, 2019			
		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	32,520	29,236	40	40	29,236	19,535	103	103
	Receipts floating, payments fixed	47,808	47,808	660	660	49,945	49,945	349	349
Total									452

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

(Reference) Details of interest rate swaps

Millions of Yen, %

Classification	As of March 31, 2019						
	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)	9,701	8,455	11,070	10	—	—	29,236
Average fixed rate (receipt)	0.73	0.91	1.20	0.86	—	—	0.96
Average floating rate (payment)	0.21	0.76	1.16	0.58	—	—	0.73
Notional amount (payments fixed, receipts floating)	—	49,945	—	—	—	—	49,945
Average fixed rate (payment)	—	2.68	—	—	—	—	2.68
Average floating rate (receipt)	—	3.41	—	—	—	—	3.41

●Currency-related

Millions of Yen

Classification	Type	As of March 31, 2018				As of March 31, 2019			
		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	7,090,003	187,916	194,100	194,100	7,364,537	437,618	35,203	35,203
	(U.S. dollar)	3,773,737	127,932	143,034	143,034	3,134,162	—	(39,862)	(39,862)
	(Euro)	1,822,000	—	9,955	9,955	2,416,954	—	73,198	73,198
	(Australian dollar)	1,195,503	59,984	35,417	35,417	1,413,999	437,618	4,886	4,886
	Bought	273,894	—	(3,905)	(3,905)	290,616	—	(6,908)	(6,908)
	(Australian dollar)	51,180	—	32	32	266,038	—	(7,036)	(7,036)
	(U.S. dollar)	170,630	—	(3,616)	(3,616)	22,550	—	124	124
	(Euro)	52,083	—	(321)	(321)	—	—	—	—
	Currency options								
	Sold								
	Call	—	—	—	—	172,500	—	—	—
	(U.S. dollar)	[—]	—	—	—	[465]	—	425	39
		—	—	—	—	172,500	—	—	—
		[—]	—	—	—	[465]	—	425	39
	Bought								
	Put	—	—	—	—	157,500	—	—	—
	(U.S. dollar)	[—]	—	—	—	[1,585]	—	1,434	(151)
		—	—	—	—	157,500	—	—	—
		[—]	—	—	—	[1,585]	—	1,434	(151)
	Currency swaps	26,780	26,780	615	615	37,806	37,806	(972)	(972)
	(U.S. dollar)	24,326	24,326	808	808	35,351	35,351	(893)	(893)
	(Euro)	2,454	2,454	(193)	(193)	2,454	2,454	(78)	(78)
Total					190,810				27,211

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

- 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, 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, 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; and those as of March 31, 2019 include contract value in U.S. dollar of ¥400,833 million, fair value of ¥19,745 million and net gain of ¥19,745 million.
- 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, 2018			As of March 31, 2019			
		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 Bought	—	—	—	—	1,067	(7)	(7)
Total								(7)

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

●Bond-related

Omitted as there are no ending balances for March 31, 2018, and 2019.

●Others

Millions of Yen

Classification	Type	As of March 31, 2018			As of March 31, 2019			
		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	Multi-asset index options							
	Sold							
	Call	—	—	—	—	78,933	—	—
		[—]	—	—	—	[34]	197	(163)
	Bought							
	Call	—	—	—	—	72,059	—	—
		[—]	—	—	—	[1,567]	2,963	1,395
Total								1,232

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

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

12. Loans (General Account)

Millions of Yen

Classification	As of March 31, 2018	As of March 31, 2019
Policy loans	294,742	289,747
Policy holder loans	269,473	264,921
Premium loans	25,268	24,825
Industrial and consumer loans	2,486,563	2,585,222
[Loans to non-residents]	[57,808]	[59,945]
Corporate loans	1,698,260	1,606,471
[Corporate loans - domestic]	[1,650,452]	[1,556,525]
Loans to national, international and government-affiliated organizations	779,420	961,433
Loans to public entities	5,092	14,045
Housing loans	3,788	3,269
Consumer loans	1	3
Other loans	—	—
Total	2,781,305	2,874,970

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

(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

(As of March 31, 2019)

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	48,646	54,565	371	4,426	18,746	59,087	10,000	195,844
Fixed-rate loans	1,150,032	235,161	216,037	212,984	247,476	327,686	—	2,389,378
Total loans	1,198,679	289,727	216,408	217,410	266,223	386,774	10,000	2,585,222

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

Number of borrowers, Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Share		Share	
	Number of borrowers	Amount of loans	Number of borrowers	Amount of loans
Large companies	178	80.9	176	77.2
	1,490,559	90.3	1,384,790	89.0
Medium-sized companies	2	0.9	1	0.4
	2,821	0.2	1,000	0.1
Small companies	40	18.2	51	22.4
	157,072	9.5	170,735	11.0
Total loans to domestic companies	220	100.0	228	100.0
	1,650,452	100.0	1,556,525	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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Domestic	249,993	10.1	188,961	7.3
Manufacturing				
Food	13,121	0.5	12,142	0.5
Textiles and apparel	3,130	0.1	400	0.0
Wood, wood products	300	0.0	600	0.0
Pulp and paper	12,070	0.5	12,040	0.5
Printing	—	—	—	—
Chemicals	39,234	1.6	24,422	0.9
Oil and coal products	36,430	1.5	31,230	1.2
Ceramics, soil and stone	10,390	0.4	10,518	0.4
Iron and steel	48,600	2.0	44,800	1.7
Nonferrous metals	6,150	0.2	6,150	0.2
Metal products	—	—	190	0.0
General purpose, production, and industrial machinery	19,532	0.8	12,864	0.5
Electric appliances	36,766	1.5	20,442	0.8
Transportation equipment	20,710	0.8	9,522	0.4
Other manufacturing products	3,560	0.1	3,640	0.1
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining, quarrying and gravel mining	—	—	—	—
Construction	1,606	0.1	1,937	0.1
Electric power, gas, heat supply and waterworks	235,998	9.5	235,476	9.1
Information and communication	29,600	1.2	26,100	1.0
Logistics and postal services	144,435	5.8	147,288	5.7
Wholesale trade	405,750	16.3	397,950	15.4
Retail trade	5,061	0.2	4,452	0.2
Financing and insurance	328,616	13.2	301,805	11.7
Real estate	129,676	5.2	136,701	5.3
Rental and leasing services	109,609	4.4	115,634	4.5
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	10,176	0.4	9,091	0.4
Local organizations and public entities	92	0.0	45	0.0
Individuals (residential/consumption/local taxes/other)	3,790	0.2	3,272	0.1
Subtotal	2,428,755	97.7	2,525,277	97.7
Overseas				
Governments and public entities	10,000	0.4	10,000	0.4
Financial institutions	47,808	1.9	49,945	1.9
Commerce and industry	—	—	—	—
Subtotal	57,808	2.3	59,945	2.3
Total loans	2,486,563	100.0	2,585,222	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. (¥773.3 billion as of March 31, 2018; ¥955.5 billion as of March 31, 2019)

16. Loans by Use (General Account)

Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Capital investments	265,979	10.7	238,254	9.2
Operations	1,056,863	42.5	1,022,288	39.5

(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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Hokkaido	12,377	0.5	11,355	0.5
Tohoku	22,495	0.9	19,309	0.8
Kanto	2,037,240	84.0	2,161,029	85.7
Chubu	93,501	3.9	85,688	3.4
Kinki	181,935	7.5	171,143	6.8
Chugoku	28,229	1.2	26,609	1.1
Shikoku	10,100	0.4	10,100	0.4
Kyushu	39,085	1.6	36,770	1.5
Total	2,424,964	100.0	2,522,004	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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Secured loans	12,724	0.5	16,221	0.6
Loans secured by securities	350	0.0	250	0.0
Loans secured by real estate, movables and foundations	12,374	0.5	15,971	0.6
Loans secured by personal guarantees	—	—	—	—
Guarantee loans	25,953	1.0	22,605	0.9
Fiduciary loans	2,444,095	98.3	2,543,123	98.4
Other loans	3,790	0.2	3,272	0.1
Industrial and consumer loans	2,486,563	100.0	2,585,222	100.0
Subordinated loans	173,000	7.0	117,000	4.5

19. Status of Risk-Monitored Loans

Millions of Yen, %

Classification	As of March 31, 2018	As of March 31, 2019
Loans to bankrupt borrowers	—	—
Loans in arrears	909	787
Loans in arrears for three months or longer	—	—
Restructured loans	—	—
Total	909	787
[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, 2018 and March 31, 2019 amounted to ¥22 million and ¥21 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, 2018	As of March 31, 2019
Bankrupt and quasi-bankrupt loans	—	—
Doubtful loans	938	813
Substandard loans	—	—
Subtotal	938	813
[Percentage of total]	[0.02]	[0.01]
Normal loans	5,766,956	6,323,020
Total	5,767,895	6,323,833

- (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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Non-categorized	27,740	99.7	28,702	99.8
Category II	72	0.3	46	0.2
Category III	0	0.0	0	0.0
Category IV	—	—	—	—
Total loans	27,813	100.0	28,749	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, 2018 and 2019, 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, 2018 and 2019, respectively.

(Reference) Status of Allowance for possible loan losses

Classification	Hundred million Yen	
	As of March 31, 2018	As of March 31, 2019
Balance of specific allowance for possible loan losses	2	2
Balance of general allowance for possible loan losses	7	6
Total allowance for possible loan losses	9	8

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, 2018	As of March 31, 2019
Solvency margin gross amount (A)	4,120,339	4,420,380
Foundation funds and others	904,581	862,051
Reserve for price fluctuation	656,947	744,447
Contingency reserve	349,400	364,300
General allowance for possible loan losses	717	616
(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)	960,726	1,162,631
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	48,810	77,337
Excess of continued Zillmerized reserve	709,854	719,371
Qualifying subordinated debt	499,924	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	—	—
Deduction clause	(80,000)	(80,000)
Others	69,376	69,699
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	943,293	950,497
Insurance risk R ₁	71,018	68,818
Third-sector insurance risk R ₈	57,901	60,561
Risk of assumed yield R ₂	200,480	196,919
Minimum guarantee risk R ₇ *	3,474	3,700
Investment risk R ₃	709,438	719,832
Operational risk R ₄	20,846	20,996
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	873.6%	930.1%

* 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 144.</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”)

	Item	Millions of Yen		
		As of March 31, 2018	As of March 31, 2019	
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
	The amount of qualifying subordinated debt ((i)+(ii)+(iii))	499,924	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)	499,924	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 contacts 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, 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	—

(As of March 31, 2019)

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	359,040	2,007	9,363 [3,178]	—	351,684	—	—
Buildings	200,987	7,272	11,049 [7,265]	12,796	184,413	388,233	67.7
Lease assets	344	7,811	99	1,268	6,787	5,466	44.6
Construction in progress	11,613	9,462	3,436	—	17,640	—	—
Other tangible fixed assets	4,242	2,622	99	1,398	5,367	20,433	79.1
Total	576,228	29,176	24,048	15,463	565,893	414,133	—

(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 ¥383,454 million as of March 31, 2019.

b. Amount of real estate and numbers held

Classification	Millions of Yen	
	As of March 31, 2018	As of March 31, 2019
Amount of real estate	571,641	553,738
For business operations	182,896	172,758
For lease	388,745	380,980
Number of buildings held for leasing	97	93

24. Other Assets

(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

(As of March 31, 2019)

Millions of Yen

Type of asset	Acquisition cost	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation	Ending balance
Deferred assets	24,412	35	192	23,694	717
Others	7,884	304	8	5,180	2,703
Total	32,296	340	200	28,875	3,420

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

Millions of Yen

Classification		Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Public bonds	National government bonds	—	—
	Local government bonds	—	—
	Public entity bonds	1,332	1,095
	Subtotal	1,332	1,095
Loans	Government-affiliated organizations	1,761,792	2,010,416
	Local organizations and public entities	—	9,000
	Subtotal	1,761,792	2,019,416
Total	1,763,124	2,020,511	

(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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Foreign bonds	7,664,115	67.0	8,276,365	67.1
Other foreign securities	760,731	6.6	909,479	7.4
Cash, deposits and others	827,815	7.2	931,248	7.6
Net foreign currency denominated assets	9,252,661	80.9	10,117,094	82.1

● Foreign currency denominated assets with fixed yen value

Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Loans	141,197	1.2	155,908	1.3
Foreign bonds	53,338	0.5	—	—
Cash, deposits and others	69,972	0.6	72,786	0.6
Net foreign currency denominated assets with fixed yen value	264,508	2.3	228,695	1.9

(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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Foreign bonds	1,553,889	13.6	1,566,453	12.7
Other foreign securities	312,990	2.7	389,096	3.2
Loans to non-residents	10,000	0.1	10,000	0.1
Others	49,312	0.4	14,383	0.1
Net yen-denominated assets	1,926,192	16.8	1,979,933	16.1

● Total

Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
Overseas loans and investments	11,443,362	100.0	12,325,723	100.0

b. Overseas loans and investments by geographic area

(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

(As of March 31, 2019)

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	3,637,307	34.2	3,163,347	33.7	473,959	38.3	49,945	83.3
Europe	3,278,736	30.8	3,269,150	34.8	9,586	0.8	5,000	8.3
Oceania	468,747	4.4	468,747	5.0	—	—	—	—
Asia	93,816	0.9	2,129	0.0	91,686	7.4	—	—
Central and South America	2,843,476	26.7	2,180,384	23.2	663,092	53.5	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	3,705	0.0	3,705	0.0	—	—	—	—
International organizations	310,628	2.9	310,628	3.3	—	—	5,000	8.3
Total	10,636,418	100.0	9,398,093	100.0	1,238,325	100.0	59,945	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, 2018		As of March 31, 2019	
	Amount	Share	Amount	Share
U.S. dollar	5,772,976	62.4	5,932,327	58.6
Euro	1,867,816	20.2	2,452,470	24.2
Australian dollar	1,199,622	13.0	1,226,942	12.1
New Zealand dollar	201,812	2.2	300,817	3.0
Polish zloty	94,996	1.0	112,432	1.1
Chinese yuan	44,106	0.5	43,175	0.4
Vietnam dong	33,190	0.4	33,182	0.3
Indonesia Rupiah	38,116	0.4	15,726	0.2
Others	23	0.0	19	0.0
Total	9,252,661	100.0	10,117,094	100.0

Liabilities

1. Reserve for Outstanding Claims

Millions of Yen

Classification		As of March 31, 2018	As of March 31, 2019
Claims paid	Mortality insurance claims	52,821	53,193
	Accident insurance claims	1,116	1,056
	Serious disability insurance claims	4,324	3,433
	Maturity insurance amount	2,949	8,970
	Others	541	620
	Subtotal	61,752	67,274
Annuity payments		5,084	6,617
Benefits payments		23,978	24,153
Surrender benefits		13,557	8,183
Payments of benefits left to accumulate at interest		5,652	6,651
Total including other reserves		111,680	114,734

2. Policy Reserves

Millions of Yen

Classification		As of March 31, 2018	As of March 31, 2019
Policy reserves (excluding contingency reserves)	Individual life insurance	14,399,356	14,637,578
	[General account]	[14,336,551]	[14,577,791]
	[Separate account]	[62,805]	[59,786]
	Individual annuities	8,200,566	8,426,127
	[General account]	[7,935,899]	[8,263,097]
	[Separate account]	[264,667]	[163,029]
	Group insurance	16,136	15,827
	[General account]	[16,136]	[15,827]
	[Separate account]	[—]	[—]
	Group annuities	2,624,858	2,589,611
	[General account]	[1,982,895]	[1,991,240]
	[Separate account]	[641,963]	[598,371]
	Others	210,252	205,445
	[General account]	[210,252]	[205,445]
	[Separate account]	[—]	[—]
Subtotal	25,451,170	25,874,590	
[General account]	[24,481,734]	[25,053,402]	
[Separate account]	[969,435]	[821,187]	
Contingency reserves		349,400	364,300
Total		25,800,570	26,238,890
[General account]		[24,831,134]	[25,417,702]
[Separate account]		[969,435]	[821,187]

3. Policy Reserve Balance

(As of March 31, 2018)

Millions of Yen

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

(As of March 31, 2019)

Millions of Yen

Classification	Insurance reserve funds	Unearned insurance premiums	Refund reserve	Contingency reserves	Total
Balance	23,916,163	1,958,426	—	364,300	26,238,890

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, 2018	As of March 31, 2019
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, medical life insurance, and assumed reinsurance.

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	118,252	4.00% – 5.00%
1981 – 1985	357,971	5.00% – 5.50%
1986 – 1990	2,038,767	5.50%
1991 – 1995	3,147,990	3.75% – 5.50%
1996 – 2000	1,310,395	2.00% – 2.75%
2001 – 2005	1,241,837	1.50%
2006 – 2010	3,313,526	1.00% – 1.50%
2011	1,075,105	1.00% – 1.50%
2012	1,615,324	1.00% – 1.50%
2013	1,078,693	0.50% – 1.00%
2014	1,188,827	0.50% – 1.00%
2015	1,640,588	0.50% – 1.00%
2016	2,224,412	0.25% – 1.00%
2017	1,285,295	0.25% – 3.75%
2018	1,203,900	0.25% – 3.95%

(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 2019.

○ 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	58.8%	64.3%
Of which, the general medical riders group	51.3%	56.3%
Of which, the specified severe lifestyle disease coverage group	73.9%	84.2%
Of which, the lifestyle disability coverage group	60.3%	88.2%

As a result of the stress test conducted at the closing of the fiscal year ended March 31, 2019, the Company has made a provision of ¥55 million in the contingency reserve for part of the third-sector insurances. Results of the liability adequacy test showed that it was not necessary to make provisions for additional policy reserves.

The balance of insurance reserve funds additionally accumulated and earmarked for part of the third-sector insurances as of March 31, 2019 was ¥7,037 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, 2018	As of March 31, 2019
Policy reserve balance (General account)	1,889	1,737

- 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 ¥1,127 million was deducted at March 31, 2019 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) (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*	Assumed rate of accidental death Apply (0.000504) only	The rate as defined in the Ministry of Finance Public Notice No. 48 of 1996
	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, 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]

(Fiscal year ended March 31, 2019)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Beginning balance	221,199	12,240	1,256	214	607	29	235,548
Transfer from surplus in the previous fiscal year	9,191	196	41,138	2,051	0	226	52,804
Interest accrued during the fiscal year	34	0	0	—	0	0	35
Dividend payments to policyholders during the fiscal year	17,811	951	40,801	2,182	78	238	62,064
Ending balance	212,610	11,488	1,594	84	529	16	226,323
	[209,328]	[10,332]	[314]	[—]	[526]	[9]	[220,511]

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

8. Allowance for Possible Loan Losses and Other Reserves

(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.

(Fiscal year ended March 31, 2019)

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	717	616	(101)	Allowance for possible loan losses is recorded to cover bad-debt loss.
	Specific allowance for possible loan losses	203	253	49	
	Allowance for specific overseas debt	—	—	—	
Accrued retirement benefits		32,082	19,371	(12,710)	Accrued retirement benefits are recorded based on "Accounting Standard for Retirement Benefits."
Reserve for price fluctuations		656,947	744,447	87,500	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, 2018	As of March 31, 2019
Amount of provision	239	289
Amount of reversal (Excluding reversal accompanying write-off)	249	226
Net provision	(10)	62

10. Status of Allowance for Specific Overseas Debt

a. Allowance for specific overseas debt

Omitted as there are no ending balances for March 31, 2018 and 2019.

b. Balance of debt by creditor countries

Omitted as there are no ending balances for March 31, 2018 and 2019.

11. Loans payable by Due Date

(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

(As of March 31, 2019)

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)

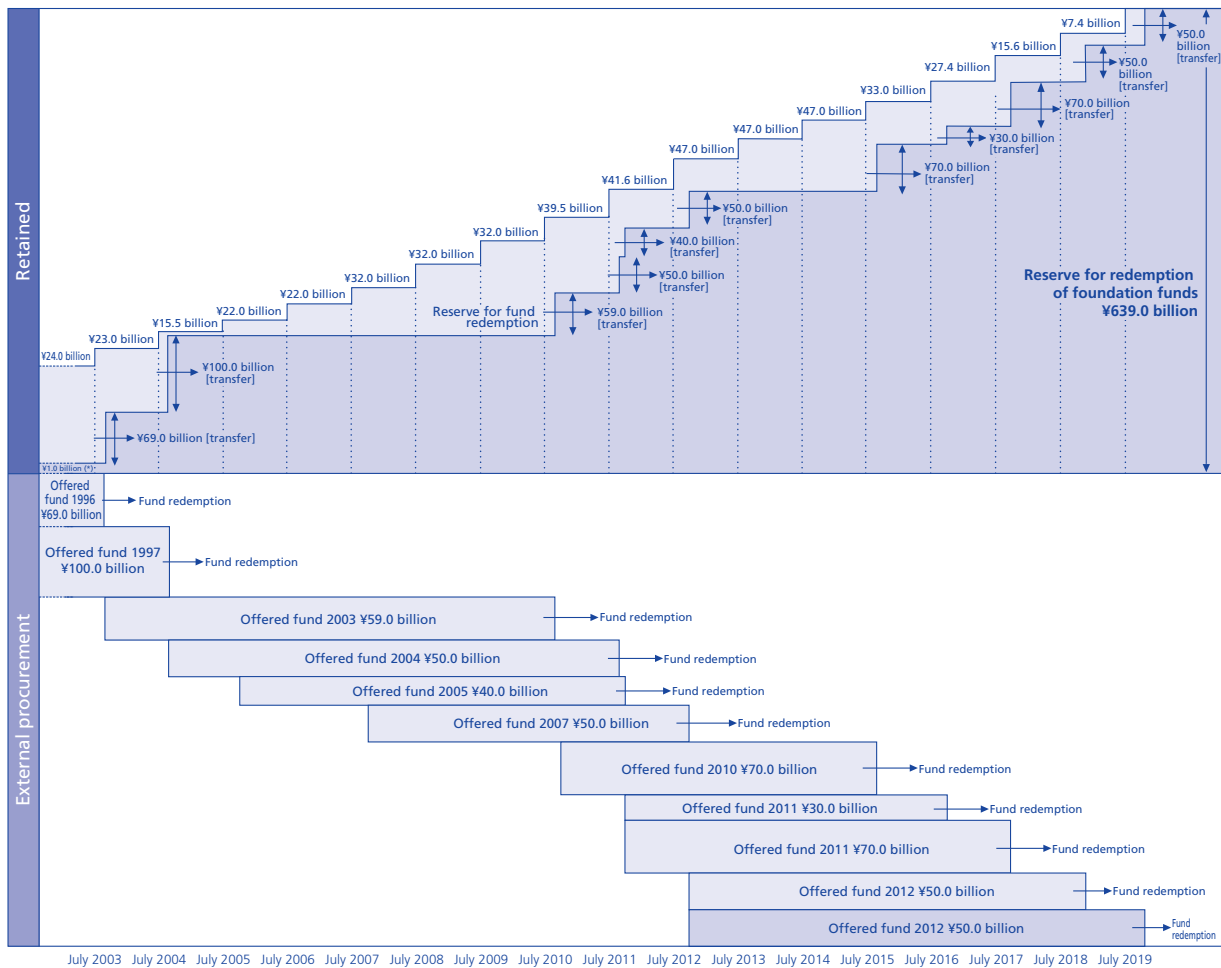
Payment date	Total amount of offering	Redemption period	Interest rate	Use of funds
August 10, 2012	¥50.0 billion	Within 7 years	Market interest rates (fixed interest rate or market interest rate-linked floating interest rate)	Enhancement of financial basis
Total foundation funds (as of March 31, 2019)		¥639.0 billion (including ¥589.0 billion in reserve for redemption of foundation funds)		

Names of fund contributor	Fund contributions to the Company	
	Amount	Fund contribution
Sumitomo Mitsui Banking Corporation	31,000	62.0
Sumitomo Mitsui Trust Bank, Limited	16,000	32.0
Mitsui Sumitomo Insurance Company, Limited	3,000	6.0

(Note) Fund contributors are listed in descending order of amount of their contributions as of March 31, 2019.

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, 2018	Fiscal year ended March 31, 2019
Individual life insurance	1,683,985	1,552,022
(Lump-sum payment)	604,217	516,339
(Annual payment)	190,474	161,985
(Semiannual payment)	5,608	5,215
(Monthly payment)	883,684	868,481
Individual annuities	504,824	535,372
(Lump-sum payment)	10,762	79,550
(Annual payment)	178,982	144,578
(Semiannual payment)	3,625	3,477
(Monthly payment)	311,454	307,766
Group insurance	95,638	93,938
Group annuities	201,781	202,890
Total including other premiums	2,505,129	2,402,089

(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, 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

(Fiscal year ended March 31, 2019)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Mortality	291,079	4,615	39,307	—	—	1	335,004
Accident	4,475	13	55	—	55	—	4,600
Serious disability	6,664	38	3,204	—	—	—	9,907
Maturity	282,563	4	—	—	1,153	—	283,721
Others	2,938	1	—	3,269	—	—	6,209
Total	587,721	4,671	42,568	3,269	1,209	1	639,442

b. Number of policies

(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

(Fiscal year ended March 31, 2019)

Number of claims

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Mortality	59,111	842	39,722	—	—	158	99,833
Accident	845	3	148	—	6	—	1,002
Serious disability	890	6	2,699	—	—	—	3,595
Maturity	70,097	69	—	—	1,401	—	71,567
Others	5,604	2	—	—	—	—	5,606
Total	136,547	922	42,569	—	1,407	158	181,603

3. Annuity Payments

a. Amount

(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

(Fiscal year ended March 31, 2019)

Millions of Yen

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
—	444,700	481	54,887	4,065	—	504,134

b. Number of policies

(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

(Fiscal year ended March 31, 2019)

Number of policies

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
—	595,853	21,068	2,048,129	13,487	—	2,678,537

4. Benefits Payments

a. Amount

(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

(Fiscal year ended March 31, 2019)

Millions of Yen

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Death benefits	26,841	8,494	5	—	285	—	35,628
Hospitalization benefits	64,471	638	89	—	—	61	65,261
Surgical benefits	32,334	640	—	—	—	15	32,990
Disability benefits	4,763	9	33	—	—	—	4,806
Survival benefits	42,413	268	—	—	382	—	43,064
Others	4,562	0	1	108,496	45	3	113,110
Total	175,387	10,052	130	108,496	713	80	294,861

b. Number of policies

(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

(Fiscal year ended March 31, 2019)

Number of policies

Classification	Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
Death benefits	17,044	3,683	413	—	62	—	21,202
Hospitalization benefits	846,128	8,635	3,471	—	—	6,744	864,978
Surgical benefits	411,537	8,083	—	—	—	1,752	421,372
Disability benefits	58,720	138	115	—	—	—	58,973
Survival benefits	137,758	1,347	—	—	159	—	139,264
Others	25,237	5	222	482,815	84	105	508,468
Total	1,496,424	21,891	4,221	482,815	305	8,601	2,014,257

5. Surrender Benefits

(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

(Fiscal year ended March 31, 2019)

Millions of Yen

Individual life insurance	Individual annuities	Group insurance	Group annuities	Workers' asset-formation insurance and annuities	Other insurance	Total
288,143	64,959	—	85,923	18,499	—	457,526

Investment-related Income

1. Investment Income (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Interest, dividends, and other income	613,474	638,543
Gains on trading securities	401	—
Gains on sales of securities	78,714	100,357
Gains on redemption of securities	5,065	—
Foreign exchange gains	—	4,432
Reversal of allowance for possible loan losses	203	38
Other investment income	2,104	832
Total	699,963	744,204

2. Investment Expenses (General Account)

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Interest expenses	18,507	28,850
Losses on trading securities	—	25
Losses on sales of securities	43,629	92,827
Losses on valuation of securities	276	2,746
Losses on derivative financial instruments	89,723	99,104
Foreign exchange losses	2,286	—
Depreciation of real estate for investments	8,768	8,611
Other investment expenses	12,349	11,983
Total	175,540	244,150

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

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Interest on deposits	4,107	17,575
Interest and dividends on securities	530,326	541,597
Interest on domestic bonds	225,175	222,927
Domestic stock dividends	37,783	46,182
Interest and dividends on foreign securities	263,341	269,717
Interest on loans	33,303	30,851
Interest on industrial and consumer loans	20,585	18,755
Rent revenue from real estate	36,112	35,338
Total including other income	613,474	638,543

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

Millions of Yen

Fiscal Year ended March 31, 2019	Increase (decrease) in balance	Increase (decrease) in interests	Total increase (decrease)
Interest, dividends, and other income	31,270	(6,202)	25,068
Cash, deposits and call loans	5,187	8,924	14,112
Securities	23,686	(12,415)	11,271
Loans	(1,664)	(786)	(2,451)
Real estate	(434)	(339)	(773)

5. Gains on Sales of Securities (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Domestic bonds including national government bonds	53,092	80,132
Domestic stocks and others	17,937	13,049
Foreign securities	7,683	7,175
Total including other gains on sales of securities	78,714	100,357

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

Classification	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Tangible fixed assets	17,477	1,031
Land	5,265	828
Buildings	12,211	203
Lease assets	—	—
Other assets	—	—
Intangible fixed assets	—	—
Others	154	—
Total	17,632	1,031
Investment and rental properties	17,438	879

7. Losses on Sales of Securities (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Domestic bonds including national government bonds	138	3,440
Domestic stocks and others	2,937	2,593
Foreign securities	40,553	86,792
Total including other losses on sales of securities	43,629	92,827

8. Losses on Valuation of Securities (General Account)

Classification	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Domestic bonds including national government bonds	—	—
Domestic stocks and others	276	1,453
Foreign securities	—	1,293
Total including other losses on valuations of securities	276	2,746

9. Write-off of Loans (General Account)

No loans have been written off in the fiscal year ended March 31, 2018 and after.

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

(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%

(Fiscal year ended March 31, 2019)

Millions of Yen

Classification	Acquisition cost	Depreciation in the fiscal year	Accumulated depreciation	Ending balance	Accumulated depreciation percentage
Tangible fixed assets	380,202	8,538	257,763	122,438	67.8%
Buildings	380,202	8,538	257,763	122,438	67.8%
Other tangible fixed assets	948	23	896	51	94.6%
Intangible fixed assets	1	0	1	0	76.1%
Others	1,436	49	804	631	56.0%
Total	381,640	8,588	258,569	123,070	67.8%

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

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Tangible fixed assets	736	2,809
Land	41	1,438
Buildings	668	1,191
Lease assets	4	99
Other assets	22	79
Intangible fixed assets	862	14
Others	22	122
Total	1,621	2,946
Investment and rental properties	591	2,477

Others

1. Depreciation

(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%

(Fiscal year ended March 31, 2019)

Classification	Millions of Yen				
	Acquisition cost	Depreciation in the fiscal year	Accumulated depreciation	Ending balance	Accumulated depreciation percentage
Tangible fixed assets	229,551	6,901	155,473	74,077	67.7%
Buildings	192,444	4,257	130,470	61,974	67.8%
Lease assets	12,254	1,268	5,466	6,787	44.6%
Other tangible fixed assets	24,852	1,374	19,536	5,316	78.6%
Intangible fixed assets	127,391	8,339	89,862	37,529	70.5%
Others	22,976	30	22,889	86	99.6%
Total	379,919	15,271	268,226	111,693	70.6%

2. Operating Expenses

Classification	Millions of Yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Marketing operations	118,543	111,831
Marketing administration	59,389	61,814
General and administrative expenses	150,636	154,306
Total	328,569	327,952

(Note) Of general and administrative expenses, contributions to the Life Insurance Policyholders Protection Corporation of Japan were ¥2,823 million and ¥2,728 million in the fiscal year ended March 31, 2018 and 2019, respectively.

3. Tax Expenses

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
National tax	13,850	13,878
Consumption tax	11,348	11,520
Special local corporate tax	2,214	2,125
Documentary stamp tax	262	231
Registration and license tax	25	0
Other national tax	—	0
Local tax	10,382	10,335
Local consumption tax	3,059	3,107
Corporate enterprise tax	5,304	5,091
Fixed asset tax	1,576	1,545
Real-estate acquisition tax	—	155
Corporate income tax	433	430
Other local tax	6	4
Total	24,232	24,213

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, 2018 and 2019.

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

Omitted as there are no ending balances for March 31, 2018 and 2019.

c. Lease fees paid, depreciation and interest expenses

Omitted as there are no ending balances for March 31, 2018 and 2019.

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, 2018		As of March 31, 2019			
		Policies	Amount	Policies	Amount		
Death protection	Death protection due to illness/accident	Individual life insurance	8,284	71,361,089	8,225	66,392,592	
		Individual annuities	—	—	—	—	
		Group insurance	22,493	31,885,941	22,500	32,213,552	
		Group annuities	—	—	—	—	
		Total including other types	30,777	103,247,031	30,726	98,606,144	
	Death protection due to accident	Individual life insurance	[7,621]	[18,268,459]	[7,309]	[17,388,301]	
		Individual annuities	[40]	[181,568]	[37]	[169,376]	
		Group insurance	[2,482]	[832,297]	[2,455]	[816,293]	
		Group annuities	[—]	[—]	[—]	[—]	
		Total including other types	[10,144]	[19,282,325]	[9,802]	[18,373,972]	
	Death protection due to specific causes	Individual life insurance	[0]	[11]	[0]	[9]	
		Individual annuities	[—]	[—]	[—]	[—]	
Group insurance		[62]	[32,918]	[63]	[32,353]		
Group annuities		[—]	[—]	[—]	[—]		
	Total including other types	[62]	[32,929]	[63]	[32,362]		
Pure endowment	Maturity and survival benefits	Individual life insurance	204	390,142	201	376,618	
		Individual annuities	2,765	14,008,273	2,711	13,691,944	
		Group insurance	0	153	0	93	
		Group annuities	—	—	—	—	
		Total including other types	2,978	14,419,093	2,919	14,087,632	
	Annuity	Individual life insurance	[—]	[—]	[—]	[—]	
		Individual annuities	[3,290]	[1,946,558]	[3,246]	[1,914,399]	
		Group insurance	[7]	[467]	[6]	[441]	
		Group annuities	[—]	[—]	[—]	[—]	
		Total including other types	[3,310]	[1,951,390]	[3,265]	[1,918,905]	
	Others	Individual life insurance	—	—	—	—	
		Individual annuities	524	1,613,311	535	1,614,070	
		Group insurance	6	2,970	6	2,787	
		Group annuities	6,390	2,624,858	6,370	2,589,611	
		Total including other types	6,995	4,430,816	6,981	4,392,900	
	Hospitalization coverage	Coverage for hospitalization due to accident	Individual life insurance	[4,930]	[30,204]	[4,840]	[29,335]
			Individual annuities	[105]	[500]	[97]	[463]
			Group insurance	[1,314]	[1,101]	[1,294]	[1,093]
Group annuities			[—]	[—]	[—]	[—]	
		Total including other types	[6,590]	[31,933]	[6,460]	[31,004]	
Coverage for hospitalization due to illness		Individual life insurance	[4,921]	[30,032]	[4,833]	[29,200]	
		Individual annuities	[103]	[490]	[96]	[454]	
		Group insurance	[12]	[52]	[12]	[55]	
		Group annuities	[—]	[—]	[—]	[—]	
		Total including other types	[5,276]	[30,703]	[5,170]	[29,821]	
Coverage for hospitalization due to other causes		Individual life insurance	[8,622]	[224,655]	[8,396]	[226,386]	
		Individual annuities	[40]	[326]	[37]	[305]	
		Group insurance	[63]	[61]	[65]	[63]	
		Group annuities	[—]	[—]	[—]	[—]	
		Total including other types	[8,726]	[225,042]	[8,560]	[226,788]	

- (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, 2018	As of March 31, 2019
Disability coverage	Individual life insurance	6,342,956	6,175,051
	Individual annuities	31,178	29,201
	Group insurance	2,263,622	2,220,134
	Group annuities	—	—
	Total including other types	8,637,756	8,424,386
Surgical coverage	Individual life insurance	6,269,734	5,944,465
	Individual annuities	128,544	119,106
	Group insurance	—	—
	Group annuities	—	—
	Total including other types	6,398,278	6,125,684

2. Annualized Premiums

a. Policies in force

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Rate of increase (decrease)	Amount	Rate of increase (decrease)
Individual life insurance	1,534,271	1.1	1,529,812	(0.3)
Individual annuities	795,689	(1.4)	795,010	(0.1)
Total	2,329,960	0.2	2,324,822	(0.2)
Living benefits, medical coverage, and others	546,750	2.6	553,194	1.2

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

Classification	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	Amount	Rate of increase (decrease)	Amount	Rate of increase (decrease)
Individual life insurance	108,568	(10.1)	100,847	(7.1)
Individual annuities	22,759	(82.8)	25,682	12.8
Total	131,328	(48.1)	126,529	(3.7)
Living benefits, medical coverage, and others	45,267	6.7	45,267	0.0

(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, 2018				As of March 31, 2019			
	Policies	Rate of increase (decrease)	Amount	Rate of increase (decrease)	Policies	Rate of increase (decrease)	Amount	Rate of increase (decrease)
Individual life insurance	8,488	0.2	71,751,231	(7.5)	8,427	(0.7)	66,769,210	(6.9)
Individual annuities	3,290	(1.4)	15,621,584	(2.4)	3,246	(1.3)	15,306,014	(2.0)
Group insurance	—	—	31,889,064	1.3	—	—	32,216,432	1.0
Group annuities	—	—	2,624,858	2.3	—	—	2,589,611	(1.3)

(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.

3. The group insurance for three major diseases does not provide death protection, so it is not recorded in the policies in force of group insurance above. As of March 31, 2019, the insurance amount for three major diseases of the group insurance policies for three major diseases was ¥113,984 million.

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

Classification	Fiscal year ended March 31, 2018						Fiscal year ended March 31, 2019					
	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	763	(2.2)	269,348	263.4	2,131,812	(1,862,463)	703	(7.9)	1,497,439	455.9	2,502,873	(1,005,434)
Individual annuities	111	(81.7)	447,215	(84.5)	455,424	(8,209)	91	(18.3)	373,814	(16.4)	379,283	(5,468)
Group insurance	—	—	34,367	(33.1)	34,367	—	—	—	96,090	179.6	96,090	—
Group annuities	—	—	30	(47.2)	30	—	—	—	43	39.9	43	—

(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.

5. The group insurance for three major diseases does not provide death protection, so it is not recorded in the new policies of group insurance above. In the fiscal year ended March 31, 2019, the insurance amount for three major diseases of new policies of group insurance for three major diseases was ¥114,890 million.

4. Trends and Transitions of Policies in Force

			Thousand policies, millions of yen					
			As of March 31, 2018			As of March 31, 2019		
Classification			Policies	Insurance amount	Annualized premiums	Policies	Insurance amount	Annualized premiums
Individual life insurance	Mortality insurance	Whole life insurance	1,684	9,251,441	377,797	1,709	9,414,087	393,368
		Whole life insurance substandard disclosure	121	108,412	21,030	141	118,967	23,259
		Whole life insurance covering nursing care	76	387,317	9,914	85	413,865	10,594
		Whole life insurance with variable assumed interest rate	162	992,424	83,792	157	962,294	80,247
		Whole life insurance denominated in designated currency	37	234,143	17,507	70	446,796	34,851
		Total whole life insurance including other types	2,126	11,160,432	514,089	2,211	11,560,374	546,230
		Whole life insurance with term rider	1,539	17,136,203	206,942	1,443	14,852,207	185,109
		Whole life insurance with variable accumulation rate	2,726	35,742,054	543,462	2,541	30,461,371	508,804
		Term life insurance	69	1,889,278	35,663	67	1,786,357	33,938
		Total term life insurance including other types	122	2,083,599	38,817	115	1,960,717	36,898
	Riders combination insurance	147	1,268,321	18,203	373	4,142,957	54,415	
	Medical whole life insurance	484	115,605	66,389	513	119,117	70,182	
	Medical term life insurance	495	299,669	26,510	482	282,730	26,437	
	Total including other types	7,722	68,722,329	1,419,673	7,758	64,210,576	1,432,967	
	Life and mortality insurance	Endowment insurance	331	1,445,345	59,345	264	1,144,862	45,681
		Endowment insurance with term rider	44	452,542	4,758	35	362,389	3,815
		Term life insurance with survival benefits	145	527,632	20,423	139	495,540	19,447
		Juvenile insurance	234	542,245	28,424	222	502,952	26,705
		Total including other types	757	2,977,049	112,959	662	2,514,639	95,654
	Pure endowment	8	51,853	1,638	6	43,994	1,190	
Subtotal (1)	8,488	71,751,231	1,534,271	8,427	66,769,210	1,529,812		
Individual annuities	Individual fixed annuities	Individual annuities	616	3,290,538	194,201	587	3,116,108	190,216
		Annuities focused on survival coverage	2,447	11,659,216	474,624	2,446	11,580,372	480,405
		Individual annuities denominated in designated currency	—	—	—	14	81,252	9,842
		Total including other types	3,101	15,082,537	692,052	3,084	14,909,254	703,511
	Individual variable annuities	189	539,047	103,636	162	396,759	91,498	
Subtotal (2)	3,290	15,621,584	795,689	3,246	15,306,014	795,010		
(1) + (2) Total	11,779	87,372,816	2,329,960	11,673	82,075,224	2,324,822		

			Thousand policies, millions of yen			
			As of March 31, 2018		As of March 31, 2019	
Classification			Policies	Amount	Policies	Amount
Group insurance	Group term life insurance		8,177	5,367,264	8,176	5,353,917
	General welfare group term life insurance		3,722	9,185,291	3,796	9,305,415
	Group credit life insurance		10,551	17,297,249	10,370	17,519,377
	Consumer credit group insurance		43	9,607	41	8,735
	Group whole life insurance		0	61	0	56
	Life insurance for sustainers of disabled		43	26,467	42	26,050
	Group insurance for three major diseases		—	—	115	113,984
	Annuities rider		7	3,123	6	2,880
	Subtotal		22,501	31,889,064	22,507	32,216,432
	Group annuities	Corporate pension plans		0	246	0
New corporate pension plans		3,972	77,648	3,995	75,698	
Insured contributory pension plans		2,379	789,775	2,362	788,208	
Employees' pension fund insurance		38	12,582	10	178	
National pension fund insurance		—	10	—	10	
Group pure endowment insurance		—	49,877	—	—	
Defined benefit corporate pension plans		—	1,593,381	—	1,618,600	
Defined contribution pension plans		—	101,336	—	106,658	
Subtotal		6,390	2,624,858	6,370	2,589,611	
Workers' asset formation insurance		59	166,860	56	164,954	
Workers' asset formation annuities		20	43,341	19	40,453	
Medical life insurance		238	128	166	78	
Assumed reinsurance		—	—	62	32	

Thousand policies, millions of yen

Classification	As of March 31, 2018		As of March 31, 2019	
	Policies	Amount	Policies	Amount
Hospitalization/ accident riders				
Accident rider with extra premium	1,429	6,549,319	1,368	6,133,248
Accident coverage rider	8	11,395	6	8,586
Personal accident rider	3,052	10,783,251	2,921	10,245,820
Accident injury rider	3,292	170,332	3,257	168,637
General medical rider	2,593	16,905	2,650	17,109
Hospitalization due to accident rider	1,326	7,942	1,139	6,727
Hospitalization due to illness rider	1,424	8,225	1,257	7,124
Hospitalization due to adult disease rider	1,798	8,412	1,708	7,930
Hospitalization due to other causes rider	6,842	216,434	6,704	218,637
Advanced medical treatment rider	3,576	—	3,563	—
Cancer diagnosis rider	1,599	964,174	1,755	1,060,389
Cancer medication rider	1,653	102,703	1,821	112,344

- (Notes) 1. Number of policies for group insurance, group annuities, workers' asset formation insurance, workers' asset formation annuities, medical life insurance and assumed reinsurance each represents respective number of insured persons.
2. Number of policies for life insurance for sustainers of disabled is not included in the subtotal. Also, the amount for the group insurance for three major diseases represents the insurance amount for three major diseases, and is not included in the subtotal.
3. The "Insurance amount" and "Amount" columns show principal amounts of coverage.
- 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.
 - Group annuities and workers' asset formation insurance show respective policy reserves.
 - 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.
 - Medical life insurance and assumed reinsurance show 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

Classification			Fiscal year ended March 31, 2018			Fiscal year ended March 31, 2019				
			Policies	Insurance amount	Annualized premiums	Policies	Insurance amount	Annualized premiums		
Individual life insurance	Mortality insurance	Whole life insurance	99	423,540	38,643	83	360,522	31,222		
		Whole life insurance substandard disclosure	22	11,940	3,639	36	22,008	5,122		
		Whole life insurance covering nursing care	8	32,203	749	11	37,729	946		
		Whole life insurance with variable assumed interest rate	—	—	—	—	—	—		
		Whole life insurance denominated in designated currency	37	240,474	18,472	33	212,471	17,208		
		Total whole life insurance including other types	167	708,158	61,515	163	632,908	54,509		
		Whole life insurance with term rider	20	344,617	5,003	5	82,592	1,379		
		Whole life insurance with variable accumulation rate	298	3,325,494	55,854	153	1,493,117	30,099		
		Term life insurance	5	89,290	1,803	4	72,106	1,527		
		Total term life insurance including other types	5	89,290	1,803	4	72,106	1,527		
		Riders combination insurance	151	1,297,105	18,589	252	3,194,223	39,781		
		Medical whole life insurance	53	9,679	7,734	55	12,630	7,830		
		Medical term life insurance	45	22,256	2,754	48	26,367	3,048		
		Total including other types	741	5,797,404	153,254	684	5,514,093	138,176		
		Life and mortality insurance		Endowment insurance	6	23,422	1,359	6	22,105	1,282
				Endowment insurance with term rider	—	—	—	—	—	—
Term life insurance with survival benefits	10			39,675	1,458	7	28,486	1,093		
Juvenile insurance	5			7,949	556	5	7,900	553		
Total including other types	21			71,048	3,373	19	58,491	2,928		
Pure endowment	—	—	—	—	—	—				
Subtotal (1)	763	5,868,452	156,628	703	5,572,585	141,105				
Individual annuities	Individual fixed annuities	Individual annuities	—	—	—	—	—	—		
		Annuities focused on survival coverage	108	444,715	22,337	76	297,387	15,928		
		Individual annuities denominated in designated currency	—	—	—	14	81,896	9,918		
		Total including other types	108	444,715	22,337	91	379,283	25,847		
		Individual variable annuities	2	10,708	672	—	—	—		
Subtotal (2)	111	455,424	23,009	91	379,283	25,847				
(1) + (2) Total	875	6,323,876	179,637	794	5,951,868	166,952				

Thousand policies, millions of yen

Classification		Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
		Policies	Amount	Policies	Amount
Group insurance	Group term life insurance	4	906	9	2,829
	General welfare group term life insurance	27	33,460	74	93,260
	Group credit life insurance	—	—	—	—
	Consumer credit group insurance	—	—	—	—
	Group whole life insurance	—	—	—	—
	Life insurance for sustainers of disabled	—	—	—	—
	Group insurance for three major diseases	—	—	115	114,890
	Annuities rider	—	—	—	—
	Subtotal	31	34,367	199	96,090
Group annuities	Corporate pension plans	—	—	—	—
	New corporate pension plans	—	—	—	—
	Insured contributory pension plans	0	0	—	—
	Employees' pension fund insurance	—	—	—	—
	National pension fund insurance	—	—	—	—
	Group pure endowment insurance	—	—	—	—
	Defined benefit corporate pension plans	—	7	—	23
	Defined contribution pension plans	—	23	—	19
	Subtotal	0	30	—	43
Workers' asset formation insurance	0	56	0	22	
Workers' asset formation annuities	0	15	0	10	
Medical life insurance	0	0	—	—	
Assumed reinsurance	—	—	60	31	

- (Notes) 1. Number of policies for group insurance, group annuities, workers' asset formation insurance, worker's asset formation annuities, medical life insurance and assumed reinsurance each represents respective number of insured persons.
2. The amount for the group insurance for three major diseases represents the insurance amount for three major diseases, and is not included in the subtotal.
3. The "Insurance amount" and "Amount" columns show principal amounts of coverage.
- Individual annuities show annuity resources at the start of annuity payments.
 - Group annuities and workers' asset formation insurance show the first time premium revenues.
 - 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.
 - Medical life insurance and assumed reinsurance show 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. Individual life insurance and individual annuities include increases due to conversion as well as rider replacement.

Indicators Related to Separate Accounts

1. Status of the balance of assets held in separate accounts

Millions of Yen

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount		Amount	
Individual variable insurance	66,295		60,316	
Individual variable annuities	274,715		168,836	
Group annuities	645,034		600,368	
Total of separate accounts	986,044		829,521	

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 on the back of factors including robust economic indicators in the U.S. and strong corporate earnings. In the second half of the year, stock prices fell due to wariness over the intensification of the U.S.-China trade frictions and concerns that the Federal Reserve Board (FRB) will likely continue its financial tightening stance. However, stock prices in the U.S. switched to an upward trajectory, and the extent of the fall in Japanese stock prices also decreased towards the end of the fiscal year, as expectations for the progress of the U.S.-China trade negotiations rose, and anticipation that the FRB will stop raising interest rates heightened. Long-term interest rates in Japan fell, as the stock market declined and there were concerns over an economic slowdown in the second half of the year, although there was also a rising phase owing to the Bank of Japan permitting an expansion of the range of fluctuation of long-term interest rates. Meanwhile, U.S. long-term interest rates rose in the first half of the year on the back of the FRB's continued gradual increase of interest rates, but fell in the second half of the year as the stock market declined and there were concerns over an economic slowdown. Regarding foreign exchange (yen against the dollar), pressures causing the yen to depreciate against the U.S. dollar grew, due to robust economic indicators in the U.S. and the FRB continuing its stance on raising interest rates. Although concerns over a slowdown in the global economy heightened and demand for the risk-averse yen rose, throughout the entire fiscal year, the yen was weak against the U.S. dollar.

In these circumstances, the Company managed funds held in separate accounts for individual variable insurance policies, basically taking a slightly increased share of domestic and foreign stocks, while reducing the share of domestic and foreign 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, 2018		As of March 31, 2019	
	Policies	Amount	Policies	Amount
Individual variable insurance (Defined term type)	78	333	60	257
Individual variable insurance (Whole life type)	52,287	270,145	50,886	263,369
Total	52,365	270,478	50,946	263,626

(Note) Policies in force include term life insurance riders.

● Individual variable annuities

Number of policies, millions of yen

Classification	As of March 31, 2018		As of March 31, 2019	
	Policies	Amount	Policies	Amount
Individual variable annuities	189,232	539,047	162,312	396,759

c. Breakdown of assets held in separate accounts

● Individual variable insurance

Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits and call loans	2,160	3.3	1,077	1.8
Securities	59,951	90.4	56,955	94.4
Domestic bonds	18,600	28.1	16,315	27.0
Domestic stocks	17,960	27.1	17,252	28.6
Foreign securities	23,391	35.3	23,387	38.8
Foreign bonds	6,622	10.0	5,598	9.3
Other foreign securities	16,768	25.3	17,789	29.5
Other securities	—	—	—	—
Loans	—	—	—	—
Others	4,183	6.3	2,284	3.8
Allowance for possible loan losses	—	—	—	—
Total	66,295	100.0	60,316	100.0

● Individual variable annuities

Millions of Yen, %

Classification	As of March 31, 2018		As of March 31, 2019	
	Amount	Composition ratio	Amount	Composition ratio
Cash, deposits and call loans	18,331	6.7	3,953	2.3
Securities	249,711	90.9	155,941	92.4
Domestic bonds	82,285	30.0	43,972	26.0
Domestic stocks	20,346	7.4	15,330	9.1
Foreign securities	40,760	14.8	28,400	16.8
Foreign bonds	32,672	11.9	24,524	14.5
Other foreign securities	8,087	2.9	3,876	2.3
Other securities	106,318	38.7	68,237	40.4
Loans	—	—	—	—
Others	6,672	2.4	8,941	5.3
Allowance for possible loan losses	—	—	—	—
Total	274,715	100.0	168,836	100.0

d. Investment income and expenses

● Individual variable insurance

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Amount	Amount
Interest, dividends, and other income	1,216	1,247
Gains on sales of securities	6,229	2,558
Gains on redemption of securities	0	—
Gains on valuation of securities	9,089	8,466
Foreign exchange gains	49	12
Gains on derivative financial instruments	235	90
Other investment income	1	2
Losses on sales of securities	1,022	1,197
Losses on redemption of securities	15	10
Losses on valuation of securities	10,856	9,688
Foreign exchange losses	58	4
Losses on derivative financial instruments	79	188
Other investment expenses	0	0
Net investment income	4,789	1,289

(Note) ¥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.

¥8,466 million gains on valuation of securities for the fiscal year ended March 31, 2019 include ¥1,253 million reversal for gains on valuation of securities, while ¥9,688 million losses on valuation of securities include ¥7,610 million reversal for losses on valuation of securities.

●Individual variable annuities

Millions of Yen

Classification	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Amount	Amount
Interest, dividends, and other income	9,457	15,793
Gains on sales of securities	33,123	5,304
Gains on redemption of securities	—	0
Gains on valuation of securities	53,062	33,888
Foreign exchange gains, net	212	166
Gains on derivative financial instruments, net	2,138	978
Other investment income	12	7
Losses on sales of securities	3,675	1,080
Losses on redemption of securities	146	10
Losses on valuation of securities	76,105	49,302
Foreign exchange losses	286	153
Losses on derivative financial instruments	508	711
Other investment expenses	327	494
Net investment income	16,958	4,385

(Note) ¥53,062 million losses 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.

¥33,888 million losses on valuation of securities for the fiscal year ended March 31, 2019 include ¥1,566 million reversal for gains on valuation of securities, while ¥49,302 million losses on valuation of securities include ¥48,173 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, 2018		As of March 31, 2019	
	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	59,951	6,356	56,955	5,135

<Individual variable annuities>

Millions of Yen

Classification	As of March 31, 2018		As of March 31, 2019	
	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	249,711	46,606	155,941	31,193

●Fair value information of money-held-in trusts for trading

<Individual variable insurance>

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

<Individual variable annuities>

Omitted as there are no ending balances for March 31, 2018 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, 2018						As of March 31, 2019					
	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	—	13	—	—	—	13	—	—	—	—	—	—
Total	—	13	—	—	—	13	—	—	—	—	—	—

(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, 2018						As of March 31, 2019					
	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	—	—	223	—	—	223	—	—	10	—	—	10
Total	—	—	223	—	—	223	—	—	10	—	—	10

(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, 2018 and after.

<Individual variable annuities>

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

●Currency-related

<Individual variable insurance>

Millions of Yen

Classification	Type	As of March 31, 2018			As of March 31, 2019		
		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	2,892	—	13	13	—	—
	(U.S. dollar)	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	296	—	(0)	(0)	—	—
	(U.S. dollar)	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					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>

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

●Stock-related

<Individual variable insurance>

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

<Individual variable annuities>

Millions of Yen

Classification	Type	As of March 31, 2018				As of March 31, 2019			
		Notional amount/ contract value		Fair value	Net gains (losses)	Notional amount/ contract value		Fair value	Net gains (losses)
		Over 1 year				Over 1 year			
Exchange-traded transactions	Stock index futures								
	Sold	—	—	—	—	684	—	3	3
	Bought	9,434	—	223	223	468	—	6	6
Total					223				10

●Bond-related

<Individual variable insurance>

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

<Individual variable annuities>

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

●Others

<Individual variable insurance>

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

<Individual variable annuities>

Omitted as there are no ending balances for March 31, 2018 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, 2018		As of March 31, 2019	
	Cases	Fair value balance	Cases	Fair value balance
First treaty	1,432	5,928	1,446	5,991
Second treaty	1	499	—	—
Total	1,433	6,427	1,446	5,991

(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, 2019

	%						%				
	Long-term primary portfolio						Asset management plan for the fiscal year ended March 31, 2019				
	Composition ratio	Range	Expected return	Standard deviation			Expected composition ratio	Expected return	Standard deviation		
Domestic bonds	33	13 – 53	0.50	2.39		31	(0.09)	1.88			
Domestic stocks	27	12 – 42	5.80	18.15		29	9.98	18.87			
Foreign bonds	13	3 – 23	2.70	10.80		11	5.34	10.72			
Foreign stocks	25	10 – 40	6.50	19.51		27	11.98	20.72			
Cash, deposits and others	2	—	0.10	0.06		2	0.00	0.04			
Total	100	—	3.71	9.50		100	6.69	11.32			

●Trend of asset management results

%

	Fiscal year ended March 31, 2018			Fiscal year ended March 31, 2019		
	Fund	Benchmark	Excess return	Fund	Benchmark	Excess return
Domestic bonds	0.96	0.90	0.06	1.92	1.89	0.03
Domestic stocks	14.46	15.87	(1.41)	(6.09)	(5.04)	(1.05)
	[17.42]			[(6.46)]		
Foreign bonds	4.03	4.23	(0.20)	2.31	2.46	(0.15)
Foreign stocks	10.18	8.47	1.71	10.31	10.14	0.17
Cash, deposits and others	(4.63)	(0.05)	(4.58)	(0.06)	(0.06)	0.00
Total	8.69	7.59	1.10	1.67	2.37	(0.71)

- (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, 2019

- Investment performance for the fiscal year ended March 31, 2019 delivered a return of 1.67%, underperforming the combined benchmark based on annual investment plans of 2.37%.
- With respect to asset allocation, the overweighed position of domestic stocks contributed to the weak performance.
- With respect to individual asset performances, underperformance of domestic stocks made negative contributions to the overall performance.

●Trend of fair value balance by asset type

Millions of Yen, %

	As of March 31, 2018		As of March 31, 2019	
	Fair value	Composition ratio	Fair value	Composition ratio
Domestic bonds	46,242	27.8	50,395	30.4
Domestic stocks	53,477	32.1	48,961	29.5
Foreign bonds	15,232	9.1	15,250	9.2
Foreign stocks	46,418	27.9	45,586	27.5
Cash, deposits and others	5,144	3.1	5,791	3.5
Total	166,513	100.0	165,986	100.0

c. Separate account first treaty (comprehensive account S)

●Asset management results

%

Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
2.59	1.66

(Note) Results indicate the rate of increase in unit prices.

●Fair value balance

Millions of Yen

As of March 31, 2018	As of March 31, 2019
142,059	155,290

●Status of asset management for the fiscal year ended March 31, 2019

- 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, 2019 was 1.66%.

Business Indicators

1. Average Policy Coverage (Individual Life Insurance)

Classification	Thousand yen	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Average policy coverage for new policies	4,498	5,254
Average policy coverage for policies in force	8,452	7,923

(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, 2018	Fiscal year ended March 31, 2019
Individual life insurance	2.7	3.5
Individual annuities	2.8	2.4
Group insurance	0.1	0.3

(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, 2018	Fiscal year ended March 31, 2019
Individual life insurance	4.3	5.1
Individual annuities	1.9	1.9
Group insurance	0.7	0.7

4. Average Annual Premium of New Individual Life Insurance Policy (With Monthly Payments)

Yen	
Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
125,334	127,967

(Note) Converted policies are excluded.

5. Mortality Rate (Primary Individual Life Insurance Policies)

a. Number of policies

%	
Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
6.69	7.18

b. Insurance amount

%	
Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
4.32	4.81

6. Incidence of Events Covered by Riders (Individual Life Insurance plus Individual Annuities)

Classification		%	
		Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Accidental death	Ratio of the number of policies	0.16	0.18
	Ratio of the amount of claims on policies	0.16	0.19
Disability	Ratio of the number of policies	0.28	0.31
	Ratio of the amount of claims on policies	0.10	0.11
Hospitalization due to accident	Ratio of the number of policies	6.77	7.03
	Ratio of the amount of claims on policies	164	170
Hospitalization due to illness	Ratio of the number of policies	81.72	85.27
	Ratio of the amount of claims on policies	1,251	1,280
Hospitalization due to adult disease	Ratio of the number of policies	24.47	25.45
	Ratio of the amount of claims on policies	536	533
Surgery due to illness or injury	Ratio of the number of policies	76.18	78.87
Surgery due to adult disease	Ratio of the number of policies	20.81	22.47

7. Percentage of Operating Expense (Operating Expenses as a Percentage of Premium Revenues)

%	
Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
13.1	13.7

8. The Number of Major Insurance Companies that Accepted Reinsurance Agreements

Number of insurance companies	
Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
8 [2]	8 [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, 2018	Fiscal year ended March 31, 2019
98.6 [100.0]	99.3 [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, 2018	Fiscal year ended March 31, 2019
Over A	100.0 [100.0]	100.0 [100.0]
Over BBB	— [—]	— [—]
Others (Including no rating)	— [—]	— [—]
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, 2018	Fiscal year ended March 31, 2019
36	139
[13]	[72]

(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, 2018	Fiscal year ended March 31, 2019
Third-sector incidence rate	36.3	36.0
Medical care	39.0	38.2
Cancer	40.0	38.5
Nursing care	28.7	30.0
Others	31.9	32.3

(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, 2018	April 11	0.95	Fiscal year ended March 31, 2019	April 10	1.00
	May 10	0.95		May 10	1.00
	June 9	0.95		June 8	1.00
	July 11	1.00		July 10	1.00
	August 10	1.00		August 10	1.00
	September 8	1.00		September 11	1.00
	October 11	1.00		October 10	1.00
	November 10	1.00		November 9	1.00
	December 8	1.00		December 11	1.00
	January 10	1.00		January 10	1.00
	February 9	1.00		February 8	1.00
	March 9	1.00		March 8	1.00

Status of Consolidated Financial Results (Supplemental)

1. Status of Consolidated Risk-monitored Loans

Classification	Millions of Yen, %	
	As of March 31, 2018	As of March 31, 2019
Loans to bankrupt borrowers	—	—
Loans in arrears	909	787
Loans in arrears for three months or longer	—	—
Restructured loans	469	—
Total	1,379	787
[Percentage of total loans]	[0.04]	[0.02]

- (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, 2018 and March 31, 2019 amounted to ¥22 million and ¥21 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.

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, 2018	As of March 31, 2019
Solvency margin gross amount (A)	3,962,535	4,160,280
Foundation funds and others	591,238	561,899
Reserve for price fluctuation	657,060	744,582
Contingency reserve	351,157	366,246
Unusual contingency reserve	—	—
General allowance for possible loan losses	831	784
(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)	1,037,714	1,128,259
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	48,808	77,334
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	54,709	28,813
Excess of continued Zillmerized reserve	722,113	737,635
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)	(54,899)
Others	69,376	69,699
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)	898,743	908,662
Insurance risk R ₁	96,858	91,958
General insurance risk R ₅	—	—
Large disaster risk R ₆	—	—
Third-sector insurance risk R ₈	72,278	76,223
Insurance risk of small-amount, short-term insurer R ₉	—	—
Risk of assumed yield R ₂	200,497	196,938
Minimum guarantee risk R ₇ *	4,941	5,025
Investment risk R ₃	656,245	669,825
Operational risk R ₄	20,616	20,799
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	881.7%	915.6%

* 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, 2018	As of March 31, 2019
Solvency margin gross amount (A)	54,604	52,612
Paid-in capital, etc.	34,974	26,065
Reserve for price fluctuation	112	135
Contingency reserve	1,757	1,946
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)	5,500	6,201
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	—	—
Excess of continued Zillmerized reserve	12,258	18,263
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)	3,422	3,736
Insurance risk R ₁	360	364
Third-sector insurance risk R ₈	1,275	1,449
Risk of assumed yield R ₂	17	18
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	2,834	3,078
Operational risk R ₄	134	147
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	3,191.1%	2,815.8%

(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, 2018 (from April 1, 2017 to March 31, 2018), and the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019), 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>