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Financial Results for the Six Months Ended September 30, 2018  
( With Notes to the Unaudited Consolidated Financial Statements )

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

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

## 1. Unaudited Consolidated Financial Statements

### a. Unaudited Consolidated Balance Sheets

(Millions of Yen)

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

## b. Unaudited Consolidated Statements of Income

(Millions of Yen)

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

### c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

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

#### d. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>I Cash flows from operating activities:</b>		
Surplus before income taxes	32,394	42,709
Depreciation	20,205	20,225
Impairment losses	5,021	96
Amortization of goodwill	1,723	1,785
Increase(Decrease) in reserve for outstanding claims	(15,420)	5,246
Increase(Decrease) in policy reserves	468,506	390,228
Provision for interest on policyholders' dividend reserves	19	18
Increase(Decrease) in allowance for possible loan losses	(157)	(34)
Increase(Decrease) in net defined benefit liabilities	(3,138)	(4,529)
Increase(Decrease) in reserve for price fluctuation	63,310	57,910
Interest, dividends and other income	(367,465)	(389,741)
Losses(Gains) on securities	(62,953)	(25,708)
Interest expenses	9,681	14,002
Losses(Gains) on tangible fixed assets	238	325
Others, net	13,310	(48,531)
Subtotal	165,274	64,004
Interest, dividends and other income received	407,854	430,192
Interest paid	(7,885)	(13,275)
Policyholders' dividends paid	(31,553)	(30,429)
Others, net	(600)	(638)
Income taxes paid	(20,605)	(33,344)
<b>Net cash provided by operating activities</b>	<b>512,484</b>	<b>416,507</b>
<b>II Cash flows from investing activities:</b>		
Net decrease(increase) in deposits	(272,799)	30,800
Purchase of monetary claims bought	(112,666)	(73,730)
Proceeds from sales and redemption of monetary claims bought	82,210	89,615
Purchase of securities	(2,666,586)	(3,341,520)
Proceeds from sales and redemption of securities	2,036,941	2,624,807
Loans made	(1,154,395)	(1,231,969)
Proceeds from collection of loans	1,102,974	952,642
Others, net	431,878	729,404
Total investing activities ( II a)	(552,443)	(219,950)
[ I + II a ]	[(39,959)]	[ 196,557 ]
Purchase of tangible fixed assets	(4,526)	(6,949)
Proceeds from sales of tangible fixed assets	750	4,628
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,437)	-
Others, net	(9,333)	(5,456)
<b>Net cash used in investing activities</b>	<b>(568,990)</b>	<b>(227,727)</b>
<b>III Cash flows from financing activities:</b>		
Repayments of debt	-	(33,162)
Proceeds from issuance of corporate bonds	145,444	-
Redemption of corporate bonds	-	(16,581)
Redemption of foundation funds	(70,000)	(50,000)
Payment of interest on foundation funds	(1,918)	(1,116)
Others, net	(2,181)	(994)
<b>Net cash provided by (used in) financing activities</b>	<b>71,344</b>	<b>(101,853)</b>
<b>IV Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(1,738)</b>	<b>(1,197)</b>
<b>V Net increase(decrease) in cash and cash equivalents</b>	<b>13,099</b>	<b>85,729</b>
<b>VI Cash and cash equivalents at the beginning of the period</b>	<b>304,592</b>	<b>360,858</b>
<b>VII Cash and cash equivalents at the end of the period</b>	<b>317,691</b>	<b>446,588</b>

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

Six months ended September 30, 2017

(Millions of Yen)

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	170,000	469,000	2	306,955	945,957
Changes in the period					
Additions to policyholders' dividend reserves				(51,735)	(51,735)
Additions to reserve for redemption of foundation funds		70,000		(70,000)	-
Payment of interest on foundation funds				(1,918)	(1,918)
Net surplus attributable to the Parent Company				30,791	30,791
Redemption of foundation funds	(70,000)				(70,000)
Reversal of land revaluation differences				1,145	1,145
Net changes, excluding funds, reserve and surplus					
Net changes in the period	(70,000)	70,000	-	(91,717)	(91,717)
Ending balance	100,000	539,000	2	215,237	854,240

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

Six months ended September 30, 2018

(Millions of Yen)

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

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

## Notes to the Unaudited Consolidated Financial Statements

### Policies of Presenting the Unaudited Consolidated Financial Statements for the Six Months Ended September 30, 2018

#### 1. Consolidated subsidiaries

The number of consolidated subsidiaries was 24 as of September 30, 2018.

The major subsidiaries as of September 30, 2018 are listed as follows:

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

Two subsidiaries of Symetra Financial Corporation were included in the scope of the consolidation as a result of newly establishments from the period ended September 30, 2018.

#### 2. Affiliates

The number of affiliates under the equity method was 8 as of September 30, 2018.

The major affiliates as of September 30, 2018 are listed as follows:

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

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 September 30, 2018.

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



3. Interim closing dates of consolidated subsidiaries

The interim closing dates of foreign subsidiaries are June 30, 2018. The consolidated financial statements include the accounts of the subsidiaries as of their interim closing dates, with appropriate adjustments made for material transactions between their interim closing dates and the consolidated balance sheet date.

## Notes to the Unaudited Consolidated Balance Sheet as of September 30, 2018

1. Securities held by SUMITOMO LIFE INSURANCE COMPANY ("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 below) are stated at amortized cost in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants. The cost of the bonds sold is calculated using the moving average method and amortization is calculated using the straight-line method.

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

Equity securities with the readily determinable market values classified as available-for-sale securities are stated at the market value which is determined as the average of the market value during September, 2018. 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.

2. The Company classifies debt securities held in order to match their duration to the duration of the corresponding subsections - segregated by type of insurance, remaining coverage period and investment policy - of the liabilities provided for future payments of insurance claims in individual 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. 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.

4. Tangible fixed assets owned by the Company are depreciated as follows:
- 1) Buildings  
Calculated using the straight-line method.
  - 2) Lease assets related to financial leases where ownership is not transferred  
Calculated using the straight-line method over the lease period.
  - 3) Other tangible fixed assets  
Calculated using the declining-balance method.
5. 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. 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 period amounted to ¥37 million. An allowance for possible loan losses of the consolidated subsidiaries is provided mainly pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.
7. Net defined benefit liabilities, supposed to be incurred as of September 30, 2018, are provided based on the projected benefit obligations and plan assets as of March 31, 2019. Assumptions used in accounting for the defined benefit plans for the period ended September 30, 2018 were as follows:

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

8. Under accounting principles generally accepted in Japan (“Japanese GAAP”), the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed. Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.
- In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:
- Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange 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.
9. Derivatives are stated at the fair value.
10. Reserve for price fluctuation is calculated pursuant to Article 115 of the Insurance Business Act.
11. National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.
12. Policy reserves of the Company are provided pursuant to Article 116 of the Insurance Business Act. Premium reserves, a main component of policy reserves, are calculated according to the following methods:
- 1) For contracts which are subject to the standard policy reserve requirements, the premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).

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

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. Capitalized software for internal use owned by the Company (included in intangible fixed assets) is amortized using the straight-line method over the estimated useful lives.
14. The corporate income taxes and inhabitant taxes of the Company for the period are calculated based on the assumption of provisions to policyholders' dividend reserves and payments of interest on foundation funds due to appropriation of surplus in the current fiscal year.
15. "Payables under repurchase agreements", which was included in "Other liabilities" in the previous fiscal year, is separately presented from the period ended September 30, 2018 as its materiality has increased.
16. The following table shows the carrying amounts in the consolidated balance sheet, the fair values and their differences of financial instruments as of September 30, 2018.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Cash and deposits	1,503,502	1,503,502	—
[Available-for-sale securities] *1	[248,979]	[248,979]	—
Call loans	133,802	133,802	—
Monetary claims bought	265,405	266,347	942
[Available-for-sale securities] *1	[163,296]	[163,296]	—
Securities *2	29,479,223	31,467,176	1,987,952
Trading securities	1,091,207	1,091,207	—
Held-to-maturity debt securities	1,883,997	2,192,258	308,261
Policy-reserve-matching bonds	11,446,454	13,093,736	1,647,282
Investments in unconsolidated subsidiaries and affiliated companies	25,944	58,353	32,408
Available-for-sale securities	15,031,619	15,031,619	—
Loans	3,703,647		

Allowance for possible loan losses *3	(782)		
	3,702,864	3,704,129	1,264
Corporate bonds	528,238	540,382	12,144
Payables under repurchase agreements	1,999,003	1,999,003	—
Payables under securities borrowing transactions	750,504	750,504	—
Derivative transactions *4	(147,335)	(147,335)	—
Hedge accounting not applied	25,612	25,612	—
Hedge accounting applied	(172,947)	(172,947)	—

\*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 amount of these securities was ¥305,577 million as of September 30, 2018.

\*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 position 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 September, 2018.

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

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

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

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

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

The following tables show the carrying amounts in the consolidated balance sheet, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of September 30, 2018.

##### 1) Held-to-maturity debt securities

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	434,058	469,658	35,599
	Foreign securities (bonds)	1,440,600	1,713,652	273,052
Fair value does not exceed the balance sheet amount	Bonds	9,338	8,947	(391)
	Foreign securities (bonds)	—	—	—
Total		1,883,997	2,192,258	308,261

##### 2) Policy-reserve-matching bonds

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	9,623,090	11,353,943	1,730,852
	Foreign securities (bonds)	85,152	88,422	3,269

Fair value does not exceed the balance sheet amount	Bonds	1,417,312	1,343,380	(73,932)
	Foreign securities (bonds)	320,897	307,989	(12,908)
	Total	11,446,454	13,093,736	1,647,282

The following table shows the acquisition costs or amortized costs, the carrying amounts in the consolidated balance sheet and their differences of available-for-sale securities as of September 30, 2018.

3) Available-for-sale securities

				Millions of Yen
	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
Balance sheet amount exceeds acquisition cost or amortized cost	Negotiable certificates of deposit	—	—	—
	Monetary claims bought	109,768	115,739	5,971
	Bonds	1,154,882	1,230,267	75,384
	Stocks	693,717	1,748,435	1,054,717
	Foreign securities	4,069,085	4,237,879	168,793
	Foreign bonds	3,873,470	4,038,744	165,273
	Other foreign securities	195,615	199,135	3,519
	Other securities	94,941	116,389	21,448
Balance sheet amount does not exceed acquisition cost or amortized cost	Negotiable certificates of deposit	249,000	248,979	(20)
	Monetary claims bought	48,321	47,556	(764)
	Bonds	683,705	658,653	(25,051)
	Stocks	145,741	130,007	(15,734)
	Foreign securities	7,137,009	6,909,987	(227,021)
	Foreign bonds	6,946,594	6,722,003	(224,590)
	Other foreign securities	190,415	187,983	(2,431)
	Other securities	0	0	(0)
	Total	14,386,173	15,443,895	1,057,722

17. As of September 30, 2018, the note of the fair value of investment and rental properties was omitted since there were no significant changes in the balance sheet amounts and the fair values of investment and rental properties from the end of the previous fiscal year.

18. As of September 30, 2018, the aggregate amount of risk-monitored loans, which was comprised of loans to bankrupt borrowers, loans in arrears, loans in arrears for three months or longer, and restructured loans, was ¥905 million. The details are as follows:

The amount of loans to bankrupt borrowers was nil and loans in arrears was ¥905 million.

The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet was ¥22 million for loans in arrears.



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 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 amount of loans in arrears for three months or longer was nil.

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 amount of restructured loans was nil.

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

19. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥950,924 million as of September 30, 2018. The total amount of separate account liabilities was the same as this.

20. Changes in policyholders' dividend reserves for the period ended September 30, 2018 were as follows:

	Millions of Yen
At the beginning of the period	235,548
Transfer from surplus in the previous fiscal year	52,804
Dividend payments to policyholders during the period	(30,429)
Interest accrued during the period	18
At the end of the period	<u>257,941</u>

21. Assets pledged as collateral were securities in the amount of ¥1,651,298 million as of September 30, 2018.

22. The Company redeemed ¥50,000 million of foundation funds and transferred the same amount of reserve for fund redemption to reserve for redemption of foundation funds as prescribed in Article 56 of the Insurance Business Act.

23. Securities loaned under security lending agreements amounted to ¥3,043,449 million as of September 30, 2018.

24. Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair value

of the securities which were not sold or pledged as collateral was ¥58,529 million, and none of the securities was pledged as collateral as of September 30, 2018.

25. The amount of loan commitments outstanding was ¥22,335 million as of September 30, 2018.
26. The amount of corporate bonds in liabilities included ¥499,924 million of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of September 30, 2018.
27. Other liabilities included payables under securities borrowing transactions of ¥750,504 million as of September 30, 2018.
28. The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥38,388 million as of September 30, 2018, pursuant to Article 259 of the Insurance Business Act.  
These contributions are recognized as operating expenses when they are made.

**Notes to the Unaudited Consolidated Statement of Income for the Six Months Ended September 30, 2018**

1. The details of the Company's 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 period ended September 30, 2018, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the consolidated statement of income.

3) Breakdown of impairment losses for the period ended September 30, 2018

Asset Group	Asset Categories	Millions of Yen
Idle assets	Land and buildings	94
Total		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 future cash flows discounted at 5.0%.

## Notes to the Unaudited Consolidated Statement of Cash Flows for the Six Months Ended September 30, 2018

1. In the consolidated statement of cash flows, cash and cash equivalents are comprised of cash on hand, deposits (except deposits bearing interest of the Company and domestic consolidated subsidiaries, and restricted cash of foreign consolidated subsidiaries), and short-term investment securities of foreign consolidated subsidiaries.
2. Reconciliation of cash and deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows as of September 30, 2018 was as follows:

	Millions of Yen
Cash and deposits	1,503,502
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(1,055,762)
Restricted cash of foreign consolidated subsidiaries	(1,151)
Short-term investment securities of foreign consolidated subsidiaries	0
Cash and cash equivalents	446,588

## 2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

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

※ The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

Note: The amounts and figures in the table above are calculated based on Article 130 of the Insurance Business Act, Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and Financial Services Agency Public Notice No.23 of 2011.

### 3. Non-Consolidated Financial Information

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

(Millions of Yen, %)

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

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

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

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

(Millions of Yen)

	As of March 31, 2018		As of September 30, 2018	
	Balance sheet amount	Net Valuation gains(losses) included in statement of income	Balance sheet amount	Net Valuation gains(losses) included in statement of income
Trading securities	395	(5)	5,251	10

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

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

(Millions of Yen)

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

Note: The table above includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

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

(Millions of Yen)

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

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

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

(Millions of Yen)

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

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

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

**(2) Interest-related**

(Millions of Yen)

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

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



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

[As of September 30, 2018]

(Millions of Yen, %)

	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Total
Notional amount (receipts fixed, payments floating)	7,283	13,982	6,090	5,022	-	-	32,378
Average fixed rate (receipt)	0.51	0.91	1.66	0.64	-	-	0.92
Average floating rate (payment)	0.22	0.56	1.66	0.62	-	-	0.70
Notional amount (receipts floating, payments fixed)	-	51,106	-	-	-	-	51,106
Average fixed rate (payment)	-	2.68	-	-	-	-	2.68
Average floating rate (receipt)	-	2.96	-	-	-	-	2.96

**(3) Currency-related**

(Millions of Yen)

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

Notes: 1. Regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen under foreign currency forward contracts and currency swaps and are reported in yen amounts in the balance sheets, those foreign currency forward contracts and currency swaps are excluded from the table above.

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

**(4) Stock-related**

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

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

## (5) Bond-related

(Millions of Yen)

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

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

## (6) Others

(Millions of Yen)

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

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

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

## d. Risk-Monitored Loans

(Millions of Yen, %)

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

Notes: 1. For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collateral or execution of guarantees is deemed uncollectible and directly deducted. The amount of loans in arrears directly deducted as of March 31, 2018 and September 30, 2018 amounted to ¥22 million and ¥22 million, respectively.

2. Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96 Paragraph 1 Items 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).

3. Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.

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

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