June 21, 2016

Financial Results for the Fiscal Year Ended March 31, 2016
(With Notes to the Unaudited Consolidated Financial Statements)

Sumitomo Life Insurance Company announces financial results for the fiscal year ended March 31, 2016.

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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, 2015	As of March 31, 2016
ASSETS:		
Cash and deposits	334,565	524,140
Call loans	365,000	105,000
Monetary claims bought	243,446	206,301
Securities	23,282,398	26,695,820
Loans	2,322,696	2,817,173
Tangible fixed assets	669,806	624,054
Land	410,102	386,823
Buildings	251,662	227,635
Lease assets	3,157	2,253
Construction in progress	198	891
Other tangible fixed assets	4,685	6,451
Intangible fixed assets	25,211	326,184
Software	18,200	16,931
Goodwill	-	70,789
Lease assets	62	134
Other intangible fixed assets	6,949	238,329
Due from agents	1	77
Reinsurance receivables	184	1,422
Other assets	237,958	426,339
Net defined benefit assets	9,800	113
Deferred tax assets	1,391	70,939
Customers' liabilities under acceptances and guarantees	-	1,000
Allowance for possible loan losses	(1,757)	(1,518)
Total assets	27,490,704	31,797,049
LIABILITIES:		
Policy reserves and other reserves	24,059,522	28,363,448
Reserve for outstanding claims	132,122	169,100
Policy reserves	23,661,038	27,935,119
Policyholders' dividend reserves	266,361	259,228
Reinsurance payables	113	4,176
Corporate bonds	149,480	235,442
Other liabilities	1,025,457	1,123,499
Payables under securities borrowing transactions	550,433	597,551
Other	475,024	525,948
Net defined benefit liabilities	35,310	30,200
Accrued retirement benefits for directors	12	15
Reserve for price fluctuation	252,308	352,221
Deferred tax liabilities	48,860	29,658
Deferred tax liabilities for land revaluation	19,343	16,997
Acceptances and guarantees	-	1,000
Total liabilities	25,590,408	30,156,659
NET ASSETS:		
Foundation funds	270,000	200,000
Reserve for redemption of foundation funds	369,000	439,000
Reserve for revaluation	2	2
Surplus	402,827	339,926
Total funds, reserve and surplus	1,041,829	978,929
Net unrealized gains on available-for-sale securities	896,074	723,567
Land revaluation differences	(61,310)	(64,505)
Foreign currency translation adjustments	9,891	(11,877)
Remeasurements of defined benefit plans	13,750	14,111
Total accumulated other comprehensive income	858,406	661,295
Non-controlling interests	60	165
Total net assets	1,900,296	1,640,390
Total liabilities and net assets	27,490,704	31,797,049

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Ordinary income	3,582,673	3,733,584
Insurance premiums and other	2,596,923	3,044,897
Investment income	879,349	583,773
Interest, dividends and other income	552,709	566,944
Gains on trading securities	-	96
Gains on sales of securities	49,605	11,845
Gains on redemption of securities	8,123	3,902
Foreign exchange gains	1,616	241
Reversal of allowance for possible loan losses	311	172
Other investment income	731	570
Investment gains on separate accounts	266,250	-
Other ordinary income	106,400	104,913
Ordinary expenses	3,365,495	3,512,544
Benefits and other payments	2,305,452	2,481,303
Claims paid	522,203	543,420
Annuity payments	639,464	652,505
Benefits payments	355,388	321,258
Surrender benefits	707,802	880,534
Other refunds	80,594	83,584
Provision for policy reserves and other reserves	367,043	418,262
Provision for reserve for outstanding claims	24,054	19,214
Provision for policy reserves	342,577	398,709
Provision for interest on policyholders' dividend reserves	412	337
Investment expenses	202,599	88,108
Interest expenses	7,337	4,758
Losses on trading securities	24	-
Losses on sales of securities	5,042	4,753
Losses on valuation of securities	4,158	1,034
Losses on derivative financial instruments	161,005	23,229
Depreciation of real estate for investments	11,004	10,660
Other investment expenses	14,027	13,993
Investment losses on separate accounts	-	29,678
Operating expenses	337,217	347,677
Other ordinary expenses	153,181	177,193
Ordinary profit	217,178	221,039
Extraordinary gains	5,057	3,558
Gains on disposals of fixed assets	5,057	3,558
Extraordinary losses	39,833	133,794
Losses on disposals of fixed assets	4,733	5,369
Impairment losses	13,581	27,711
Provision for reserve for price fluctuation	20,816	99,912
Payments to social responsibility reserve	701	800
Surplus before income taxes	182,402	90,803
Income taxes		
Current	61,416	61,394
Deferred	(4,238)	(36,718)
Total income taxes	57,177	24,676
Net surplus	125,225	66,127
Net surplus attributable to non-controlling interests	(122)	4
Net surplus attributable to the Parent Company	125,347	66,123

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Net surplus	125,225	66,127
Other comprehensive income(loss)	509,637	(193,405)
Net unrealized gains(losses) on available-for-sale securities	471,278	(171,465)
Land revaluation differences	1,296	510
Foreign currency translation adjustments	153	(16,574)
Remeasurements of defined benefit plans	27,792	360
Share of other comprehensive income(loss) of associates under the equity method	9,116	(6,236)
Comprehensive income(loss)	634,862	(127,277)
Comprehensive income(loss) attributable to the Parent Company	634,954	(127,281)
Comprehensive income(loss) attributable to non-controlling interests	(92)	4

d. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Ⅰ Cash flows from operating activities:		
Surplus before income taxes	182,402	90,803
Depreciation of real estate for investments	11,004	10,660
Depreciation	14,675	14,660
Impairment losses	13,581	27,711
Amortization of goodwill	1,336	-
Increase(Decrease) in reserve for outstanding claims	24,054	19,214
Increase(Decrease) in policy reserves	342,577	398,709
Provision for interest on policyholders' dividend reserves	412	337
Increase(Decrease) in allowance for possible loan losses	(432)	(253)
Increase(Decrease) in net defined benefit liabilities	19,703	4,808
Increase(Decrease) in reserve for price fluctuation	20,816	99,912
Interest, dividends and other income	(552,709)	(566,944)
Losses(Gains) on securities	(202,236)	68,648
Interest expenses	7,337	4,758
Foreign exchange losses(gains)	(1,877)	(527)
Losses(Gains) on tangible fixed assets	(522)	1,591
Investment losses(gains) on equity method	360	5,729
Decrease(Increase) in due from agents	1	0
Decrease(Increase) in reinsurance receivables	71	(50)
Decrease(Increase) in other assets (excluding those related to investing and financing activities)	18,793	285
Increase(Decrease) in reinsurance payables	(6)	(0)
Increase(Decrease) in other liabilities (excluding those related to investing and financing activities)	24,608	93,038
Others, net	40,889	(24,853)
Subtotal	(35,159)	248,241
Interest, dividends and other income received	694,193	641,384
Interest paid	(7,542)	(4,762)
Policyholders' dividends paid	(72,451)	(66,829)
Others, net	(701)	(800)
Income taxes paid	(66,141)	(46,365)
Net cash provided by operating activities	512,196	770,867
Ⅱ Cash flows from investing activities:		
Net decrease(increase) in deposits	(200,396)	(155,396)
Purchase of monetary claims bought	(338,050)	(288,593)
Proceeds from sales and redemption of monetary claims bought	383,976	328,463
Purchase of securities	(3,830,982)	(3,525,600)
Proceeds from sales and redemption of securities	3,587,447	3,022,069
Loans made	(195,793)	(246,552)
Proceeds from collection of loans	327,214	363,586
Others, net	(154,426)	276,280
Total investment activities (Ⅱ a)	(421,010)	(225,745)
[Ⅰ + Ⅱ a]	[91,185]	[545,122]
Purchase of tangible fixed assets	(10,451)	(14,740)
Proceeds from sales of tangible fixed assets	19,692	15,509
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(430,171)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	626
Others, net	(8,018)	(8,243)
Net cash used in investing activities	(419,789)	(662,765)
Ⅲ Cash flows from financing activities:		
Repayments of debt	(122,500)	-
Proceeds from issuance of corporate bonds	50,000	-
Redemption of foundation funds	-	(70,000)
Payment of interest on foundation funds	(3,449)	(3,371)
Others, net	(1,636)	(1,117)
Net cash used in financing activities	(77,586)	(74,488)
Ⅳ Effect of foreign exchange rate changes on cash and cash equivalents	12	(5)
Ⅴ Net increase(decrease) in cash and cash equivalents	14,833	33,607
Ⅵ Cash and cash equivalents at the beginning of the year	37,890	52,724
Ⅶ Cash and cash equivalents at the end of the year	52,724	86,331

e. Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015 （Millions of Yen）

	Funds, reserve and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	270,000	369,000	2	366,640	1,005,643
Cumulative effect of change in accounting policies				(13,213)	(13,213)
Beginning balance after reflecting accounting policy changes	270,000	369,000	2	353,427	992,429
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(60,141)	(60,141)
Payment of interest on foundation funds				(3,449)	(3,449)
Net surplus attributable to the Parent Company				125,347	125,347
Reversal of land revaluation differences				(12,356)	(12,356)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	-	-	-	49,399	49,399
Ending balance	270,000	369,000	2	402,827	1,041,829

	Accumulated other comprehensive income(loss)					Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Land revaluation differences	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Beginning balance	422,951	(74,963)	2,497	(14,042)	336,442	3,816	1,345,903
Cumulative effect of change in accounting policies							(13,213)
Beginning balance after reflecting accounting policy changes	422,951	(74,963)	2,497	(14,042)	336,442	3,816	1,332,689
Changes in the fiscal year							
Additions to policyholders' dividend reserves							(60,141)
Payment of interest on foundation funds							(3,449)
Net surplus attributable to the Parent Company							125,347
Reversal of land revaluation differences							(12,356)
Net changes, excluding funds, reserve and surplus	473,123	13,653	7,394	27,792	521,963	(3,756)	518,207
Net changes in the fiscal year	473,123	13,653	7,394	27,792	521,963	(3,756)	567,606
Ending balance	896,074	(61,310)	9,891	13,750	858,406	60	1,900,296

Year ended March 31, 2016 (Millions of Yen)

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

	Accumulated other comprehensive income(loss)					Non-controlling interests	Total net assets
	Net unrealized gains on available-for-sale securities	Land revaluation differences	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Beginning balance	896,074	(61,310)	9,891	13,750	858,406	60	1,900,296
Changes in the fiscal year							
Additions to policyholders' dividend reserves							(59,358)
Additions to reserve for redemption of foundation funds							-
Payment of interest on foundation funds							(3,371)
Net surplus attributable to the Parent Company							66,123
Redemption of foundation funds							(70,000)
Reversal of land revaluation differences							3,705
Net changes, excluding funds, reserve and surplus	(172,507)	(3,195)	(21,769)	360	(197,110)	105	(197,005)
Net changes in the fiscal year	(172,507)	(3,195)	(21,769)	360	(197,110)	105	(259,905)
Ending balance	723,567	(64,505)	(11,877)	14,111	661,295	165	1,640,390

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Fiscal Year Ended March 31, 2016

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 24 as of March 31, 2016.
The major subsidiaries as of March 31, 2016 were listed as follows:

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

From the fiscal year ended March 31, 2016, Symetra Financial Corporation and its 12 subsidiaries were included in the scope of the consolidation.
Sumitomo Life Insurance Agency America, Inc. was excluded from the scope of the consolidation as SUMITOMO LIFE INSURANCE COMPANY ("the Company") disposed of its interest from the fiscal year ended March 31, 2016.

2. Affiliates

The number of affiliates under the equity method was 8 as of March 31, 2016.
The major affiliates as of March 31, 2016 were listed as follows:

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

One subsidiary and one affiliate of Baoviet Holdings were excluded from affiliates under the equity method as those companies were excluded from affiliates from the fiscal year ended March 31, 2016.
Japan Pension Service Co., Ltd., is excluded from affiliates under the equity method because its effect is immaterial, individually and in aggregate, on the consolidated net income and consolidated surplus.

3. Fiscal year-end of a consolidated subsidiary

The fiscal year-end of CSS Co., Ltd. is March 25.

The consolidated financial statements include the accounts of the subsidiary as of its fiscal year-end, with appropriate adjustments made for material transactions between its fiscal year-end and the balance sheet date.

For foreign consolidated subsidiaries, financial information as of February 1, 2016, the date of business combination, is used to prepare the consolidated financial statements.

4. Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on a straight-line basis over the period up to 20 years.

However, for items that are immaterial, the total amount of goodwill is fully recognized as expenses as incurred.

Notes to the Unaudited Consolidated Balance Sheet as of March 31, 2016

1. Securities held by the Company are classified and accounted for as follows:
   Trading securities are stated at market value on the balance sheet date. The cost of trading 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 (refer to Note 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 these 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 readily determinable market values classified as available-for-sale securities are stated at market value which is determined as the average of the market value during the final month of the fiscal year ended March 31, 2016. The other available-for-sale securities with readily determinable market values are stated at market value on the balance sheet date. Available-for-sale securities for which determination of 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. With regard to debt securities held in order to match their duration to the duration of the corresponding subsections - segregated by type of insurance, remaining coverage period and investment policy - of the liabilities provided for future payments of insurance claims in individual insurance, individual annuities and group annuities, the Company classifies those securities as policy-reserve-matching bonds in accordance with Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry", issued by the Japanese Institute of Certified Public Accountants.

3. Derivatives are stated at fair value.

4. The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.
   The difference in value before and after revaluation is directly included in net assets and presented as land revaluation differences, net of income taxes presented as deferred tax liabilities for land revaluation in the consolidated balance sheets.
   The revaluation method is stipulated in Article 3 Clause 3 of the Act on Revaluation of Land.
   Pursuant to the Article, the Company used the publicly announced appraisal value with certain

adjustments (detailed in Article 2 Paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (the "Order")) and appraisal value (detailed in Article 2 Paragraph 5 of the Order) for the revaluation.

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

   1) Buildings
   Calculated using the straight-line method.

   2) Lease assets related to financial leases where ownership is not transferred
   Calculated using the straight-line method over the lease period.

   3) Other tangible fixed assets
   Calculated using the declining-balance method.

6. Assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese Yen at the exchange rates on the balance sheet date. Investments in unconsolidated subsidiaries and affiliates are translated into Japanese Yen at the exchange rates on the dates of acquisition.

7. The Company's allowance for possible loan losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, "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 the disposal of collateral and the execution of guarantees. For loans to borrowers that are likely to become bankrupt (hereafter, "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 by disposal of collateral and by executing 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 collateral or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the period was ¥204 million.
   An allowance for possible loan losses of the consolidated subsidiaries is provided mainly pursuant to their standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses which each consolidated subsidiary sets and maintains consistently with those of the Company.

8. Net defined benefit liabilities, supposed to be incurred as of March 31, 2016, 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”).

Assumptions used in accounting for the defined benefit plans for the fiscal year ended March 31, 2016 were as follows:

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

The following items provide detailed information for the retirement benefit plans.

1) Summary of the retirement benefit plans

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

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

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

Certain foreign consolidated subsidiaries have defined contribution plans.

2) Defined benefit plans

a) Changes in the defined benefit obligations for the fiscal year ended March 31, 2016 were as follows:

	Millions of Yen
At the beginning of the fiscal year	321,280
Service costs	14,076
Interest costs on projected benefit obligation	4,719
Actuarial losses	(13,119)
Benefits paid	(22,985)
Others	71
At the end of the fiscal year	304,042

b) Changes in the plan assets for the fiscal year ended March 31, 2016 were as follows:

	Millions of Yen
At the beginning of the fiscal year	295,770
Expected return on plan assets	3,901
Actuarial gains	(25,800)
Contribution by employer	10,461
Benefits paid	(10,374)
Others	(3)
At the end of the fiscal year	273,955

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheet as of March 31, 2016 were determined as follows:

	Millions of Yen
Present value of funded obligations	302,569
Plan assets at fair value	(273,955)
Net present value of funded obligations	28,614
Present value of unfunded obligations	1,472
Net value on the balance sheet	30,087
Net defined benefit liabilities	30,200
Net defined benefit assets	(113)
Net value on the balance sheet	30,087

d) The amounts recognized in retirement benefit expenses in the consolidated statement of income for the fiscal year ended March 31, 2016 were as follows:

	Millions of Yen
Service costs	14,076
Interest costs on projected benefit obligation	4,719
Expected return on plan assets	(3,901)
Amortization of net actuarial losses	12,910
Others	83
Retirement benefit expenses	27,887

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

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

	Millions of Yen
Actuarial gains	230
Total	230

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

	Millions of Yen
Unrecognized actuarial gains	19,558
Total	19,558

f) The plan assets

The plan assets as of March 31, 2016 were comprised as follows:

	% of total fair value of plan assets
Equity securities	39
General account of life insurance companies	44
Debt securities	6
Others	11
Total	100

41% of the plan assets were the retirement benefit trusts.

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

The expected long-term rate of return on plan assets is calculated by aggregating the weighted rate of return derived from each asset category. The expected long-term rate 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 year ended March 31, 2016 were as follows:

Discount rate	1.473%
Expected long-term rates of return on plan assets	
Defined benefit pension plans	2.4%
Retirement benefit trusts	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥872 million for the fiscal year ended March 31, 2016.

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

10. Under accounting principles generally accepted in Japan (“Japanese GAAP”), several hedge accounting methods are allowed.
Two fundamental approaches are the deferred hedge method and the fair value hedge method.
Under the fair value hedge method, which is allowed only with respect to available-for-sale securities being the hedged items, gains and losses on changes in fair value of the hedging instrument are recognized in earnings together with the corresponding gains or losses of the hedged items attributable to the risk being hedged.
In addition, for certain derivative instruments, exceptional treatments are allowed under Japanese GAAP.
Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange rate stipulated in the forward contract agreements and the currency swap agreements. Accordingly, the foreign exchange forward contracts and the currency swaps used as hedging instruments are not recognized

as an asset or liability measured at fair value either at the 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 fair value, but the net paid or received under the swap agreements is recognized and included in interest expense or income of the hedged items (the exceptional method).

The Company adopts mainly the fair value hedge method or 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 fair values or cash flows of the hedged item and the hedging instrument.

11. National and local consumption taxes of the Company 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 that are subject to the standard policy reserve requirements, premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).

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

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

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

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

13. Capitalized software for internal use owned by the Company (included in intangible fixed assets as of March 31, 2016) is amortized using the straight-line method over the estimated useful lives.

14. "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13,

2013; hereafter the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereafter the "Consolidation Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereafter the "Business Divestitures Accounting Standard") have been applied from the beginning of the fiscal year ended March 31, 2016.

Under the applied accounting method, the difference associated with the Company's ownership interests changes in subsidiaries remaining under the Company's control is recorded as surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which the costs are incurred. For business combinations implemented on or after April 1, 2015, the accounting method has been changed to reflect adjustments to the allocated acquisition costs on finalization of provisional accounting treatments in the consolidated financial statements for the fiscal year containing the date of the business combinations. In addition, the presentation method of net surplus was changed and an account name changed from minority interests to non-controlling interests. In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, cash flows related to acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into cash flows from financing activities, while cash flows related to expenses arising from acquisition of shares of subsidiaries affecting the scope of consolidation or acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into cash flows from operating activities.

With respect to the application of the Accounting Standards regarding business combinations, the transitional treatments prescribed in Article 58-2(4) of the Business Combinations Accounting Standard, Article 44-5(4) of the Consolidation Accounting Standard and Article 57-4(4) of the Business Divestitures Accounting Standard have been applied prospectively on and after April 1, 2015. As a result, ordinary profit and surplus before income taxes for the fiscal year ended March 31, 2016 decreased by ¥2,660 million and surplus as of March 31, 2016 decreased by ¥2,660 million.

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

1) Qualitative information on financial instruments

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

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

Domestic bonds are exposed to market risk, which arises from the fluctuation of interest rates and other market indicators, and credit risk of issuers. Domestic and foreign stocks are exposed to market risk, which arises from the fluctuation of stock prices and foreign exchange rates, and credit risk of issuers. Foreign bonds are exposed to market risk, which arises from the fluctuation of interest rates, foreign exchange rates and other market indicators, and credit risk of issuers. Loans, mainly to domestic companies, are exposed to credit risk, which arises from deterioration of the financial condition of counterparties. They are also exposed to market risk since certain loans, similarly to bonds, change the fair values by fluctuation of interest rates although no active secondary markets exist.

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge floating rate assets. Gains and losses on certain foreign currency contracts used for hedging foreign currency risks mainly of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in fair value of hedged items and hedging instruments.
When foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swaps transaction meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to the 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 regulations. 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 positions.
In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales. In addition, monitoring of the value fluctuations is conducted on a daily basis to correspond to changes in the fair value of asset and liability portfolio.
In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial condition 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 by 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 summarizes the carrying amounts in the consolidated balance sheet and the fair values of financial instruments as of March 31, 2016 together with their differences.

Millions of Yen

	Balance sheet amount	Fair value	Difference
Cash and deposits	524,140	524,140	—
[Available-for-sale securities] *1	[368,478]	[368,478]	—
Call loans	105,000	105,000	—
Monetary claims bought	206,301	209,110	2,808
[Available-for-sale securities] *1	[170,586]	[170,586]	—
Securities *2	26,265,754	29,162,323	2,896,568
Trading securities	1,677,563	1,677,563	—
Held-to-maturity debt securities	2,102,869	2,515,176	412,307
Policy-reserve-matching bonds	11,339,015	13,821,953	2,482,938
Investments in unconsolidated subsidiaries and affiliated companies	29,624	30,947	1,323
Available-for-sale securities	11,116,681	11,116,681	—
Loans	2,817,173		
Allowance for possible loan losses *3	(1,033)		
	2,816,140	2,882,716	66,576
Corporate bonds	235,442	247,527	12,085
Payables under securities borrowing transactions	597,551	597,551	—
Derivative transactions *4	43,477	43,477	—
Hedge accounting not applied	10,184	10,184	—
Hedge accounting applied	33,292	33,292	—

*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 ¥430,065 million as of March 31, 2016.

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

2) Monetary claims bought

Fair value is measured based on the closing market price on the balance sheet date.

3) Securities

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

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

4) Loans

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

With regard to loans to debtors that are legally or substantially bankrupt and doubtful debtors, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Corporate bonds

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

2) Payables under securities borrowing transactions

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

Derivative transactions

Fair value is measured based on the closing market price on the balance sheet date.

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

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

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

The following tables show the carrying amounts in the consolidated balance sheet, the fair values and their differences of held-to-maturity debt securities and policy-reserve-matching bonds as of March 31, 2016.

1) Held-to-maturity debt securities

Millions of Yen

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	559,563	614,641	55,078
	Foreign securities (bonds)	1,543,305	1,900,535	357,229
Fair value does not exceed the balance sheet amount	Bonds	―	―	―
	Foreign securities (bonds)	―	―	―
	Total	2,102,869	2,515,176	412,307

2) Policy-reserve-matching bonds

Millions of Yen

	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	11,187,444	13,666,146	2,478,701
	Foreign securities (bonds)	111,008	115,842	4,833
Fair value does not exceed the balance sheet amount	Bonds	19,245	19,183	(61)
	Foreign securities (bonds)	21,317	20,781	(536)
	Total	11,339,015	13,821,953	2,482,938

The following tables show the acquisition costs (or amortized costs), the carrying amounts in the consolidated balance sheet and their differences of available-for-sale securities as of March 31, 2016.

3) Available-for-sale securities

Millions of Yen

	Type	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	149,622	164,586	14,963
	Bonds	1,218,265	1,319,775	101,509
	Stocks	612,220	1,211,460	599,240
	Foreign securities	4,296,359	4,601,253	304,894
	Foreign bonds	4,284,483	4,588,942	304,459
	Other foreign securities	11,876	12,311	435
	Other securities	19,862	29,720	9,858
Balance sheet amount does not exceed acquisition costs or amortized costs	Negotiable certificates of deposit	368,500	368,478	(21)
	Monetary claims bought	5,999	5,999	(0)
	Bonds	29,503	29,349	(153)
	Stocks	164,403	134,925	(29,477)
	Foreign securities	3,785,683	3,779,010	(6,672)
	Foreign bonds	3,675,498	3,669,183	(6,315)
	Other foreign securities	110,184	109,827	(356)
	Other securities	12,950	11,185	(1,765)
	Total	10,663,371	11,655,746	992,375

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, 2016.

Millions of Yen

	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash and deposits	523,944	—	—	—
Call loans	105,000	—	—	—
Monetary claims bought	7,089	1,291	333	182,696
Securities	1,102,865	3,249,057	4,886,530	12,897,824
Held-to-maturity debt securities	54,654	258,348	595,526	1,190,981
Policy-reserve-matching bonds	428,598	580,020	937,391	9,316,111
Available-for-sale securities	619,613	2,410,689	3,353,612	2,390,731
Loans	337,448	1,016,535	781,838	287,272
Corporate bonds	36,261	—	30,217	167,610
Payables under securities borrowing transactions	597,551	—	—	—

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

16. The carrying amount for investment and rental properties was ¥430,870 million, and its fair value was ¥454,246 million as of March 31, 2016. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers. Asset retirement obligations for certain investment and rental properties were established as other liabilities in the amount of ¥1,506 million as of March 31, 2016.

17. As of March 31, 2016, 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 ¥1,092 million.

    The amount of loans to bankrupt borrowers was nil and the amount of loans in arrears was ¥980 million.

    The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet was ¥29 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 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 "substantially bankrupt borrowers" or "borrowers likely to become bankrupt" in self-assessment of asset quality.

The amount of loans in arrears for three months or longer was ¥1 million.

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

The amount of restructured loans was ¥110 million.

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

18. Accumulated depreciation of tangible fixed assets amounted to ¥439,312 million as of March 31, 2016.

19. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥1,702,853 million as of March 31, 2016. The total amount of separate account liabilities was the same as this figure.

20. Changes in policyholders' dividend reserves for the fiscal year ended March 31, 2016 were as follows:

	Millions of Yen
Balance at the beginning of the fiscal year	266,361
Transfer from surplus in the previous fiscal year	59,358
Dividend payments to policyholders during the fiscal year	(66,829)
Interest accrued during the fiscal year	337
Balance at the end of the fiscal year	259,228

21. Total amount of investments in affiliates as of March 31, 2016 was ¥76,656 million.

22. Assets pledged as collateral were securities in the amount of ¥594,441 million as of March 31, 2016.

23. On April 5, 2016, the Company decided that it may issue subordinated bonds with an upper limit of ¥100,000 million by September 30, 2016, the repayments of which are subordinated to other obligations.

24. Consolidation as a result of acquisition is as follows:.

1) Overview of business combination

a) Name and business of the acquired company

Company name: Symetra Financial Corporation ("Symetra")

Business: insurance and insurance related business *1

*1 Symetra is a holding company and its subsidiaries operate the business.

b) Purpose of the acquisition

The Company intends to enhance its financial and earnings foundation as it will expand the size of overseas revenues, lead to diversify revenue base, and enable the Company to build a well-balanced overseas business portfolio across Asia and the United States.

c) Date of business combination

February 1, 2016

d) Legal form of business combination

Symetra merged with a newly formed, wholly-owned special purpose company in Delaware, US, which the Company established solely for the purpose of the merger. After the merger, Symetra is the surviving company.

e) Name of the acquired company after combination

Symetra Financial Corporation

f) The Company's ownership percentage after completion of the transaction

100%

g) Controlling company

The Company holds more than a 50% stake in Symetra and, therefore, controls the decision-making body of Symetra.

2) Accounting period for which earnings of the acquired company are included in the consolidated statement of income

As the Company used the consolidated statement as of the date of business combination, the earnings of the acquired company are not included in the consolidated statement of income.

3) Acquisition cost and breakdown

Acquisition price consideration paid in cash	¥463,858 million
Total	¥463,858 million

4) Cost related to acquisition

Fee to outside advisor, etc. ¥2,660 million

5) Goodwill

a) Amount

¥70,789 million

b) Reason to recognize

The acquisition cost calculated based on the acquiree's projected future profit as of the date of business acquisition exceeded the net amounts of assets acquired and liabilities assumed.

c) Amortization methods and amortization period

Amortized over a period of 20 years under the straight-line method.

6) The amounts of assets acquired and liabilities assumed at the date of business combination

Total assets	¥4,444,292 million
Securities included in the above "Total assets"	¥3,468,467 million
Total liabilities	¥4,067,708 million
Policy reserves and others included in the above "Total liabilities"	¥3,893,133 million

7) Estimated impact on consolidated financial results on the assumption that the business combination had been completed at the beginning of the fiscal year ended March 31, 2016.

Ordinary income	¥262,855 million
Ordinary profit	¥8,565 million
Net surplus attributable to the Parent Company	¥14,171 million

The ordinary income, ordinary profit and net surplus attributable to the Parent Company above are calculated based on the amounts on Symetra's financial statements for the fiscal year ended December 31, 2015. The amortization of goodwill is calculated as if the amount of goodwill as of the date of business combination had been recognized at the beginning of the fiscal year ended March 31, 2016. These amounts do not represent the actual figures, which were calculated assuming that the business combination had been completed at the beginning of the fiscal year ended March 31, 2016. This estimated impact is unaudited.

25. The Company redeemed ¥70,000 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.

26. Securities loaned under security lending agreements amounted to ¥1,415,288 million as of March 31, 2016.

27. The amount of loan commitments outstanding was ¥19,535 million as of March 31, 2016.

28. The amount of corporate bonds in liabilities included ¥167,701 millions of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2016.

29. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥42,933 million as of March 31, 2016, pursuant to Article 259 of the Insurance Business Act.

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

30. Deferred tax assets/liabilities as of March 31, 2016 were recognized as follows:

	Millions of Yen
Deferred tax assets	508,903
Valuation allowance for deferred tax assets	22,837
Subtotal	486,065
Deferred tax liabilities	444,785
Net deferred tax assets	41,280

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen
Deferred tax assets	
Policy reserves and other reserves	271,956
Reserve for price fluctuation	98,460
Net defined benefit liabilities	46,548
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	280,466
Other intangible fixed assets	79,901

The actual effective income tax rate was 27.1% for the fiscal year ended March 31, 2016. Major components in the difference with the statutory effective income tax rate of 28.80% were as follows:

Policyholders’ dividend reserves	(17.3)%
Effects of changes in the statutory income tax rate	11.4 %

Following the enactment of “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 15 of 2016), the statutory tax rate applied to measure deferred tax assets and liabilities has been lowered for fiscal year beginning on April 1, 2016. As a result of this change, the statutory effective income tax rate to measure deferred tax assets and liabilities will be lowered from 28.80% to 28.20% and 27.96% for the temporary differences expected to be reversed in the fiscal years ending up to March 31, 2018 and thereafter, respectively.

Due to this change, as of March 31, 2016, deferred tax assets and deferred tax liabilities for land revaluation decreased by ¥1,820 million and ¥510 million, respectively, and income taxes—deferred increased by ¥10,349 million.

Notes to the Unaudited Consolidated Statement of Income for the Fiscal Year Ended March 31, 2016

1. 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.

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

2) Description of impairment losses recognized

For the fiscal year ended March 31, 2016, the Company recognized impairment losses on real estate for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in fair value. For these assets, the Company reduced the carrying amount to a recoverable amount, and recognized impairment losses as extraordinary losses in the consolidated statement of income.

3) Details of fixed assets causing impairment losses

Asset Group	Asset Categories	Millions of Yen
Real estate for investment	Land and buildings	26,640
Idle assets	Land and buildings	1,058
Total		27,698

4) The recoverable amount

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

Notes to the Unaudited Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2016

1. The components of other comprehensive income for the year ended March 31, 2016 were as follows:

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

	Millions of Yen
Net unrealized gains on available-for-sale securities:	
Amount arising during the fiscal year	(241,404)
Reclassification adjustments	(11,448)
Before income tax effect adjustments	(252,852)
Income tax effects	81,387
Net unrealized gains on available-for-sale securities	(171,465)
Deferred gains(losses) on derivatives under hedge accounting:	
Amount arising during the fiscal year	(16,587)
Reclassification adjustments	—
Adjustments for acquisition cost of assets	16,587
Before income tax effect adjustments	—
Income tax effects	—
Deferred gains(losses) on derivatives under hedge accounting	—
Land revaluation differences:	
Amount arising during the fiscal year	—
Reclassification adjustments	—
Before income tax effect adjustments	—
Income tax effects	510
Land revaluation differences	510
Foreign currency translation adjustments:	
Amount arising during the fiscal year	(16,546)
Reclassification adjustments	(22)
Before income tax effect adjustments	(16,569)
Income tax effects	(5)
Foreign currency translation adjustments	(16,574)

Remeasurements of defined benefit plans:	
Amount arising during the fiscal year	(12,680)
Reclassification adjustments	12,910
Before income tax effect adjustments	230
Income tax effects	130
Remeasurements of defined benefit plans	360
Share of other comprehensive income of associates under the equity method:	
Amount arising during the year	(6,218)
Reclassification adjustments	(17)
Share of other comprehensive income of associates under the equity method	(6,236)
Total other comprehensive income	(193,405)

Notes to the Unaudited Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2016

1. For the purpose of presenting 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 and cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2016 was as follows:

	Millions of Yen
Cash and deposits	524,140
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(437,155)
Restricted cash of foreign consolidated subsidiaries	(653)
Short-term investment securities of foreign consolidated subsidiaries	0
Cash and cash equivalents	86,331

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

		As of March 31, 2015	As of March 31, 2016
Solvency margin gross amount	(A)	3,422,644	3,008,173
Foundation funds and others		979,159	624,723
Reserve for price fluctuation		252,308	352,221
Contingency reserve		315,804	323,583
Unusual contingency reserve		–	–
General allowance for possible loan losses		1,154	1,018
(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)		1,130,761	902,773
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)		(44,936)	(12,174)
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs		19,328	19,558
Excess of continued Zillmerized reserve		633,128	645,885
Qualifying subordinated debt		149,480	149,480
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation		–	–
Deduction clause		(89,583)	(70,994)
Others		76,039	72,100
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)	705,494	753,288
Insurance risk	R_1	79,337	98,046
General insurance risk	R_5	–	–
Large disaster risk	R_6	–	–
Third-sector insurance risk	R_8	51,286	64,959
Insurance risk of small-amount, short-term insurer	R_9	–	–
Risk of assumed yield	R_2	215,482	210,145
Minimum guarantee risk	R_7※	32,738	34,880
Investment risk	R_3	428,634	472,368
Operational risk	R_4	16,149	17,608
Solvency margin ratio $\dfrac{(A)}{(1/2)\times(B)}\times 100$		970.2%	798.6%

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

Note1: 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.

Note2: Due to the revisions to the Ordinance for Enforcement of the Insurance Business Act, the culculation method of solvency margin gross amount as of March 31,2016 was partly changed.
(The amount as of March 31, 2015 is culculated based on previous method.)

3. Non-Consolidated Financial Information

a. Overall Composition of Investments（General Account）

（Millions of Yen, %）

	As of March 31, 2015		As of March 31, 2016	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	551,413	2.2	448,860	1.7
Monetary claims bought	243,446	1.0	206,301	0.8
Investments in securities	20,991,510	83.9	22,063,959	85.0
Domestic bonds	12,748,042	51.0	12,982,825	50.0
Domestic stocks	1,644,083	6.6	1,438,497	5.5
Foreign securities	6,563,751	26.2	7,600,287	29.3
Foreign bonds	5,983,458	23.9	6,677,711	25.7
Other foreign securities	580,292	2.3	922,576	3.6
Other securities	35,633	0.1	42,349	0.2
Loans	2,322,696	9.3	2,196,475	8.5
Policy loans	323,711	1.3	314,654	1.2
Industrial and consumer loans	1,998,985	8.0	1,881,821	7.3
Real estate	661,398	2.6	614,369	2.4
Investment property	464,290	1.9	429,136	1.7
Deferred tax assets	-	-	75,322	0.3
Other assets	244,064	1.0	351,018	1.4
Allowance for possible loan losses	(1,757)	(0.0)	(1,502)	(0.0)
Total	25,012,772	100.0	25,954,805	100.0
Foreign currency denominated assets	4,473,488	17.9	5,725,806	22.1

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

b. Fair Value Information of Securities （General Account）

(1) Net Valuation Gains and Losses on Trading Securities

No net valuation gains and losses as of March 31, 2015 or March 31, 2016.

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

（Millions of Yen）

	As of March 31, 2015					As of March 31, 2016				
	Book value	Fair value	Net gains (losses)	Gains	Losses	Book value	Fair value	Net gains (losses)	Gains	Losses
Held-to-maturity debt securities	2,059,190	2,383,300	324,109	324,244	(134)	2,041,222	2,440,281	399,058	399,058	-
Policy-reserve-matching bonds	11,209,377	12,711,116	1,501,738	1,502,085	(346)	11,339,015	13,821,953	2,482,938	2,483,535	(597)
Investments in subsidiaries and affiliated companies	33,173	23,372	(9,801)	-	(9,801)	33,173	30,947	(2,226)	-	(2,226)
Available-for-sale securities	6,109,247	7,344,762	1,235,515	1,242,124	(6,609)	7,240,388	8,225,320	984,931	1,023,014	(38,082)
Domestic bonds	1,091,825	1,139,283	47,458	47,638	(180)	1,184,247	1,278,218	93,970	94,116	(145)
Domestic stocks	773,544	1,542,884	769,339	775,208	(5,868)	776,568	1,346,271	569,703	599,181	(29,477)
Foreign securities	3,928,950	4,325,405	396,455	396,996	(541)	4,722,636	5,020,859	298,222	304,894	(6,672)
Foreign bonds	3,927,074	4,323,648	396,574	396,960	(386)	4,703,936	5,002,079	298,143	304,459	(6,315)
Other foreign securities	1,876	1,757	(118)	36	(155)	18,700	18,779	78	435	(356)
Other securities	24,589	34,626	10,036	10,036	-	32,812	40,905	8,093	9,858	(1,765)
Monetary claims bought	190,337	202,579	12,241	12,244	(2)	155,622	170,586	14,963	14,963	(0)
Negotiable certificates of deposit	100,000	99,983	(16)	-	(16)	368,500	368,478	(21)	-	(21)
Others	-	-	-	-	-	-	-	-	-	-
Total	19,410,990	22,462,552	3,051,562	3,068,453	(16,891)	20,653,800	24,518,502	3,864,702	3,905,609	(40,906)
Domestic bonds	12,700,583	14,272,895	1,572,311	1,572,927	(615)	12,888,854	15,503,294	2,614,440	2,614,647	(207)
Domestic stocks	773,544	1,542,884	769,339	775,208	(5,868)	776,568	1,346,271	569,703	599,181	(29,477)
Foreign securities	5,621,934	6,309,582	687,648	698,037	(10,388)	6,431,442	7,088,965	657,522	666,957	(9,434)
Foreign bonds	5,586,884	6,284,453	697,569	698,000	(431)	6,379,567	7,039,238	659,670	666,522	(6,851)
Other foreign securities	35,050	25,129	(9,920)	36	(9,957)	51,874	49,727	(2,147)	435	(2,582)
Other securities	24,589	34,626	10,036	10,036	-	32,812	40,905	8,093	9,858	(1,765)
Monetary claims bought	190,337	202,579	12,241	12,244	(2)	155,622	170,586	14,963	14,963	(0)
Negotiable certificates of deposit	100,000	99,983	(16)	-	(16)	368,500	368,478	(21)	-	(21)
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, 2015	As of March 31, 2016
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	115,403	581,258
Available-for-sale securities	515,935	372,326
Unlisted domestic stocks (excluding over-the-counter stocks)	24,573	15,599
Unlisted foreign stocks (excluding over-the-counter stocks)	490,321	355,258
Unlisted foreign bonds	-	-
Others	1,040	1,468
Total	631,338	953,585

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

(1) Net Gains and Losses on Derivatives

(Millions of Yen)

	As of March 31, 2015						As of March 31, 2016					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	1,259	(162,558)	-	-	-	(161,298)	929	21,443	-	-	-	22,372
Hedge accounting not applied	(1,813)	(27,582)	(13,591)	-	-	(42,988)	(1,455)	4,476	311	-	-	3,332
Total	(554)	(190,140)	(13,591)	-	-	(204,287)	(525)	25,920	311	-	-	25,705

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 loss of ¥157,797 million and gain of ¥20,770 million as of March 31, 2015 and March 31, 2016, respectively.

(2) Interest-related

(Millions of Yen)

Type	As of March 31, 2015				As of March 31, 2016			
	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	56,121	45,532	1,259	1,259	49,532	33,828	929	929
Interest rate swaptions								
Bought								
Receipts floating, payments fixed	240,000	120,000			290,000	170,000		
	[2,241]		427	(1,813)	[1,622]		167	(1,455)
Total				(554)				(525)

Notes: 1. Option fees are shown in [ ].
2. Net gains (losses) represent the fair values for interest rate swaps and the difference between the option fees and the fair values for interest rate swaptions.

(Reference)
Interest rate swaps by contractual maturity dates

［As of March 31, 2016］ (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)	15,704	19,591	14,091	110	35	-	49,532
Average fixed rate (receipt)	1.99	1.55	0.64	1.06	0.95	-	1.43
Average floating rate (payment)	0.30	0.30	0.24	0.68	0.61	-	0.29

(3) Currency-related

(Millions of Yen)

Type	As of March 31, 2015				As of March 31, 2016			
	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	3,599,075	1,025,354	(185,110)	(185,110)	4,544,584	403,200	21,535	21,535
(U.S. dollar)	1,396,146	543,023	(134,324)	(134,324)	2,019,291	146,484	90,937	90,937
(Australian dollar)	1,266,522	302,024	(83,894)	(83,894)	1,217,351	256,715	(75,498)	(75,498)
(Euro)	877,043	180,306	36,354	36,354	1,186,443	-	(2,158)	(2,158)
Bought	165,605	-	(269)	(269)	154,357	-	4,180	4,180
(Euro)	-	-	-	-	151,010	-	4,180	4,180
(U.S. dollar)	165,605	-	(269)	(269)	3,346	-	(0)	(0)
Currency options								
Sold								
Call	-	-			360,000	-		
	[-]		-	-	[2,225]		1,063	1,161
(U.S. dollar)	-	-			360,000	-		
	[-]		-	-	[2,225]		1,063	1,161
Bought								
Put	-	-			303,000	-		
	[-]		-	-	[2,453]		823	(1,629)
(U.S. dollar)	-	-			303,000	-		
	[-]		-	-	[2,453]		823	(1,629)
Total				(185,380)				25,247

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

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

3. Net gains (losses) represent the fair values for foreign currency forward contracts.

(4) Stock-related

(Millions of Yen)

Type	As of March 31, 2015				As of March 31, 2016			
	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)	Notional amount/ contract value	Over 1 year	Fair value	Net gains (losses)
Exchange-traded transactions								
Stock index futures								
Sold	107,788	-	(1,537)	(1,537)	131,563	-	(1,394)	(1,394)
Over-the-counter transactions								
Stock index forwards								
Sold	104,122	-	(11,548)	(11,548)	42,600	-	2,188	2,188
Stock index options								
Sold								
Call	-	-			155,208	-		
	[-]		-	-	[1,543]		953	590
Put	423	-			-	-		
	[1]		0	0	[-]		-	-
Bought								
Put	19,503	-			99,999	-		
	[529]		23	(506)	[1,541]		467	(1,073)
Total				(13,591)				311

Notes: 1. Option fees are shown in [ ].
2. Net gains (losses) represent the fair values for future tradings and forward tradings and the difference between the option fees and the fair values for option transactions.

d. Risk-Monitored Loans

(Millions of Yen, %)

	As of March 31, 2015	As of March 31, 2016
Loans to bankrupt borrowers	-	-
Loans in arrears	1,066	980
Loans in arrears for three months or longer	0	1
Restructured loans	-	-
Total	1,066	982
(Percentage of total loans)	(0.05)	(0.04)
(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, 2015 and March 31, 2016 amounted to ￥34 million and ￥29 million, respectively.
2. Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikeliness of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96 Paragraph 1 Items 3 and 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No.97 of 1965).
3. Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties. Loans in arrears also include the non-accrual loans to borrowers classified as "borrowers substantially bankrupt" or "borrowers likely to become bankrupt" in the self-assessment of asset quality.
4. Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.
5. Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.