
Financial Results for the Fiscal Year Ended March 31, 2019
(With Notes to the Unaudited Consolidated Financial Statements)

Sumitomo Life Insurance Company announces financial results for the fiscal year ended March 31, 2019.

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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 March 31, 2019
ASSETS:		
Cash and deposits	1,448,620	1,604,760
Call loans	187,361	238,792
Monetary claims bought	283,252	317,252
Securities	29,089,625	30,006,016
Loans	3,445,029	3,550,593
Tangible fixed assets	581,239	571,169
Land	359,169	351,911
Buildings	201,923	185,680
Lease assets	2,191	8,045
Construction in progress	11,619	17,748
Other tangible fixed assets	6,335	7,784
Intangible fixed assets	283,089	271,938
Software	20,026	34,956
Goodwill	62,927	55,528
Lease assets	71	41
Other intangible fixed assets	200,063	181,412
Due from agents	109	179
Reinsurance receivables	2,737	2,203
Other assets	543,952	1,103,996
Net defined benefit assets	31,742	20,818
Deferred tax assets	140,721	124,912
Allowance for possible loan losses	(1,038)	(1,164)
Total assets	36,036,443	37,811,470
LIABILITIES:		
Policy reserves and other reserves	30,457,728	31,052,893
Reserve for outstanding claims	135,006	142,074
Policy reserves	30,087,173	30,684,495
Policyholders' dividend reserves	235,548	226,323
Reinsurance payables	8,017	12,846
Corporate bonds	545,868	528,305
Other liabilities	2,661,062	3,803,492
Payables under repurchase agreements	860,119	1,893,213
Payables under securities borrowing transactions	1,116,092	772,360
Other	684,851	1,137,918
Net defined benefit liabilities	11,356	10,445
Reserve for price fluctuation	657,060	744,582
Deferred tax liabilities	25,271	166
Deferred tax liabilities for land revaluation	13,257	13,014
Total liabilities	34,379,623	36,165,746
NET ASSETS:		
Foundation funds	100,000	50,000
Reserve for redemption of foundation funds	539,000	589,000
Reserve for revaluation	2	2
Surplus	248,102	203,072
Total funds, reserve and surplus	887,104	842,075
Net unrealized gains(losses) on available-for-sale securities	841,320	899,876
Deferred gains(losses) on derivatives under hedge accounting	(2,556)	810
Land revaluation differences	(63,710)	(61,417)
Foreign currency translation adjustments	(44,853)	(56,487)
Remeasurements of defined benefit plans	39,415	20,756
Total accumulated other comprehensive income	769,616	803,538
Non-controlling interests	99	109
Total net assets	1,656,820	1,645,723
Total liabilities and net assets	36,036,443	37,811,470

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Ordinary income	3,747,135	3,639,446
Insurance premiums and other	2,688,720	2,605,680
Investment income	908,399	899,775
Interest, dividends and other income	752,225	769,003
Gains on trading securities	376	-
Gains on sales of securities	84,817	103,679
Gains on redemption of securities	7,552	2,011
Foreign exchange gains	-	4,461
Reversal of allowance for possible loan losses	162	-
Other investment income	4,495	4,994
Investment gains on separate accounts	58,769	15,624
Other ordinary income	150,016	133,990
Ordinary expenses	3,529,268	3,488,605
Benefits and other payments	2,076,282	2,065,538
Claims paid	617,445	666,493
Annuity payments	634,259	504,170
Benefits payments	340,386	368,394
Surrender benefits	423,808	459,457
Other refunds	60,381	67,022
Provision for policy reserves and other reserves	723,728	557,329
Provision for reserve for outstanding claims	-	4,548
Provision for policy reserves	723,689	552,746
Provision for interest on policyholders' dividend reserves	39	35
Investment expenses	175,517	294,168
Interest expenses	21,793	30,271
Losses on trading securities	-	2,514
Losses on sales of securities	45,236	97,320
Losses on valuation of securities	4,390	6,364
Losses on redemption of securities	3,380	1,460
Losses on derivative financial instruments	69,781	119,914
Foreign exchange losses	2,119	-
Provision for allowance for possible loan losses	-	141
Depreciation of real estate for investments	8,789	8,648
Other investment expenses	20,027	27,533
Operating expenses	402,620	409,598
Other ordinary expenses	151,119	161,970
Ordinary profit	217,867	150,840
Extraordinary gains	17,632	1,031
Gains on disposals of fixed assets	17,632	1,031
Extraordinary losses	180,001	101,786
Losses on disposals of fixed assets	1,635	2,976
Impairment losses	6,397	10,458
Provision for reserve for price fluctuation	154,620	87,522
Losses on reduction of noncurrent assets	16,601	-
Payments to social responsibility reserve	745	829
Surplus before income taxes	55,498	50,085
Income taxes		
Current	59,194	44,165
Deferred	(73,540)	(42,357)
Total income taxes	(14,346)	1,807
Net surplus	69,844	48,277
Net surplus attributable to non-controlling interests	9	10
Net surplus attributable to the Parent Company	69,835	48,266

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
Net surplus	69,844	48,277
Other comprehensive income(loss)	97,623	44,547
Net unrealized gains(losses) on available-for-sale securities	105,982	73,444
Deferred gains(losses) on derivatives under hedge accounting	(3,771)	3,367
Land revaluation differences	2	-
Foreign currency translation adjustments	(13,049)	(7,826)
Remeasurements of defined benefit plans	8,715	(18,659)
Share of other comprehensive income(loss) of associates under the equity method	(255)	(5,779)
Comprehensive income(loss)	167,468	92,825
Comprehensive income(loss) attributable to the Parent Company	167,458	92,814
Comprehensive income(loss) attributable to non-controlling interests	9	10

d. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2018	Year ended March 31, 2019
I Cash flows from operating activities:		
Surplus before income taxes	55,498	50,085
Depreciation of real estate for investments	8,789	8,648
Depreciation	31,783	31,524
Impairment losses	6,397	10,458
Amortization of goodwill	3,559	6,340
Increase(Decrease) in reserve for outstanding claims	(23,313)	7,464
Increase(Decrease) in policy reserves	821,076	680,328
Provision for interest on policyholders' dividend reserves	39	35
Increase(Decrease) in allowance for possible loan losses	(171)	128
Increase(Decrease) in net defined benefit liabilities	(13,102)	(15,883)
Increase(Decrease) in reserve for price fluctuation	154,620	87,522
Interest, dividends and other income	(752,225)	(769,003)
Losses(Gains) on securities	(75,458)	13,317
Interest expenses	21,793	30,271
Foreign exchange losses(gains)	1,755	(3,916)
Losses(Gains) on tangible fixed assets	(127)	1,795
Investment losses(gains) under the equity method	(644)	12,344
Decrease(Increase) in due from agents	(28)	(71)
Decrease(Increase) in reinsurance receivables	(1,867)	488
Decrease(Increase) in other assets (excluding those related to investing and financing activities)	(18,129)	(674,913)
Increase(Decrease) in reinsurance payables	2,111	5,392
Increase(Decrease) in other liabilities (excluding those related to investing and financing activities)	2,300	629,173
Others, net	53,779	99,862
Subtotal	278,438	211,392
Interest, dividends and other income received	819,120	839,009
Interest paid	(19,740)	(31,628)
Policyholders' dividends paid	(62,177)	(62,064)
Others, net	(745)	(829)
Income taxes paid	(45,308)	(63,563)
Net cash provided by operating activities	969,586	892,314
II Cash flows from investing activities:		
Net decrease(increase) in deposits	(412,891)	(81,913)
Purchase of monetary claims bought	(224,078)	(155,924)
Proceeds from sales and redemption of monetary claims bought	172,640	122,717
Purchase of securities	(5,852,447)	(6,073,745)
Proceeds from sales and redemption of securities	4,650,460	5,029,382
Loans made	(2,157,988)	(2,414,395)
Proceeds from collection of loans	2,321,164	2,283,581
Others, net	556,087	597,985
Total investment activities (II a)	(947,052)	(692,311)
[I + II a]	[22,534]	[200,003]
Purchase of tangible fixed assets	(17,321)	(18,804)
Proceeds from sales of tangible fixed assets	3,852	8,378
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,437)	-
Others, net	(18,283)	(11,162)
Net cash used in investing activities	(982,241)	(713,899)
III Cash flows from financing activities:		
Proceeds from issuance of debt	23	0
Repayments of debt	-	(33,300)
Proceeds from issuance of corporate bonds	145,444	-
Redemption of corporate bonds	-	(16,650)
Redemption of foundation funds	(70,000)	(50,000)
Payment of interest on foundation funds	(1,918)	(1,116)
Others, net	(3,097)	(2,016)
Net cash provided by (used in) financing activities	70,451	(103,082)
IV Effect of foreign exchange rate changes on cash and cash equivalents	(1,529)	(1,061)
V Net increase(decrease) in cash and cash equivalents	56,266	74,270
VI Cash and cash equivalents at the beginning of the year	304,592	360,858
VII Cash and cash equivalents at the end of the year	360,858	435,129

e. Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 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	170,000	469,000	2	306,955	945,957
Changes in the fiscal year					
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				69,835	69,835
Redemption of foundation funds	(70,000)				(70,000)
Reversal of land revaluation differences				4,252	4,252
Net changes in surplus based on U.S. GAAP used for U.S. subsidiaries				(9,286)	(9,286)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	(70,000)	70,000	-	(58,853)	(58,853)
Ending balance	100,000	539,000	2	248,102	887,104

	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 fiscal year								
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								69,835
Redemption of foundation funds								(70,000)
Reversal of land revaluation differences								4,252
Net changes in surplus based on U.S. GAAP used for U.S. subsidiaries								(9,286)
Net changes, excluding funds, reserve and surplus	117,423	(4,260)	(4,250)	(14,971)	8,715	102,657	32	102,690
Net changes in the fiscal year	117,423	(4,260)	(4,250)	(14,971)	8,715	102,657	32	43,837
Ending balance	841,320	(2,556)	(63,710)	(44,853)	39,415	769,616	99	1,656,820

Year ended March 31, 2019

(Millions of Yen)

	Funds, reserve and surplus				
	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 fiscal year					
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				48,266	48,266
Redemption of foundation funds	(50,000)				(50,000)
Reversal of land revaluation differences				(2,293)	(2,293)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	(50,000)	50,000	-	(57,947)	(57,947)
Ending balance	50,000	589,000	2	203,072	842,075

	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 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	828,402	(2,556)	(63,710)	(44,853)	39,415	756,697	99	1,656,820
Changes in the fiscal year								
Additions to policyholders' dividend reserves								(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								48,266
Redemption of foundation funds								(50,000)
Reversal of land revaluation differences								(2,293)
Net changes, excluding funds, reserve and surplus	71,473	3,367	2,293	(11,634)	(18,659)	46,840	9	46,850
Net changes in the fiscal year	71,473	3,367	2,293	(11,634)	(18,659)	46,840	9	(11,096)
Ending balance	899,876	810	(61,417)	(56,487)	20,756	803,538	109	1,645,723

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Fiscal Year Ended March 31, 2019

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 25 as of March 31, 2019.

The major subsidiaries as of March 31, 2019 are listed as follows:

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

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

2. Affiliates

The number of affiliates under the equity method was 8 as of March 31, 2019.

The major affiliates as of March 31, 2019 are listed as follows:

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

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

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

3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of foreign subsidiaries is December 31, 2018. The consolidated financial statements include the accounts of the subsidiaries as of their fiscal year-end, with appropriate adjustments made for material transactions between their fiscal year-end and the consolidated balance sheet date.

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, 2019

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 these 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 March, 2019. 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. Derivatives are stated at the fair value.

4. The Company revalued certain parcels of land owned for operating use as of March 31, 2001, as permitted by the Act on Revaluation of Land.

The difference in value before and after the revaluation is directly included in net assets and presented as land revaluation differences, net of deferred tax liabilities for land revaluation in the consolidated balance sheets.

The revaluation method is stipulated in Article 3, Clause 3 of the Act on Revaluation of Land.

Pursuant to the Article, the Company used the publicly announced appraisal value with certain

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

5. Tangible fixed assets owned by the Company are depreciated as follows:
 - 1) Buildings
Calculated using the straight-line method.
 - 2) Lease assets related to financial leases where ownership is not transferred
Calculated using the straight-line method over the lease period.
 - 3) Other tangible fixed assets
Calculated using the declining-balance method.
6. The Company's assets and liabilities denominated in foreign currencies, except for investments in unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange 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.
7. The Company's allowance for possible loan losses is provided pursuant to its standards for self-assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses. For loans to borrowers that are legally bankrupt ("bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt ("substantially bankrupt borrowers"), an allowance is provided based on the total amount of the loans after deduction of charge-offs and any amounts expected to be collected through disposal of collaterals and execution of guarantees. For loans to borrowers that are likely to become bankrupt ("borrowers likely to become bankrupt"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection through disposal of collaterals and execution of guarantees. For the other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past. All loans are assessed based on the Company's standards for the self-assessment of asset quality and the assessment results are reviewed by a department independent of the department that performs and is responsible for the self-assessment. The allowance for possible loan losses is provided based on the assessment results. For loans to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals and execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the fiscal year was ¥35 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 are provided based on the projected benefit obligations and plan assets

as of the balance sheet date.

Assumptions used in accounting for the defined benefit plans for the fiscal year ended March 31, 2019 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
Amortization period for past service costs	3 years

The following provide details of the retirement benefit plans.

1) Summary of the retirement benefit plans

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

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

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

Certain foreign consolidated subsidiaries have defined contribution plans.

2) Defined benefit plans

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

	Millions of Yen
At the beginning of the fiscal year	293,067
Service costs	12,470
Interest costs on projected benefit obligations	4,220
Actuarial losses (gains)	1,800
Benefits paid	(21,127)
Others	96
At the end of the fiscal year	290,529

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

	Millions of Yen
At the beginning of the fiscal year	313,452
Expected return on plan assets	3,865
Actuarial gains (losses)	(14,050)
Contribution by employer	6,753
Benefits paid	(9,122)
Others	3
At the end of the fiscal year	300,902

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

	Millions of Yen
Present value of funded obligations	288,746
Plan assets at fair value	(300,902)
Net present value of funded obligations	(12,155)
Present value of unfunded obligations	1,782
Net value on the balance sheet	(10,372)
Net defined benefit liabilities	10,445
Net defined benefit assets	(20,818)
Net value on the balance sheet	(10,372)

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

	Millions of Yen
Service costs	12,470
Interest costs on projected benefit obligations	4,220
Expected return on plan assets	(3,865)
Amortization of net actuarial losses (gains)	(6,249)
Amortization of net past service costs	(3,795)
Others	123
Retirement benefit expenses	2,905

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

Major components of other comprehensive income (before income tax effect adjustments) for the fiscal year ended March 31, 2019 were as follows:

	Millions of Yen
Actuarial gains	(22,100)
Past service costs	(3,795)
Total	(25,895)

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

	Millions of Yen
Unrecognized actuarial gains	21,539
Unrecognized past service costs	7,274
Total	28,813

f) The plan assets

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

	% of total fair value of plan assets
General accounts of life insurance companies	43
Equity securities	38
Investment trusts	7

Debt securities	6
Others	6
Total	100

43% of the plan assets were the retirement benefit trusts as of March 31, 2019.

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

The expected long-term rate of return on the plan assets is calculated by aggregating the weighted rates of return derived from each asset category. The expected long-term rates of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performances and the market environment.

h) Assumptions used in calculation

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

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

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥2,046 million for the fiscal year ended March 31, 2019.

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

10. Under accounting principles generally accepted in Japan ("Japanese GAAP"), the deferred hedge method and the fair value hedge method are fundamental hedge accounting methods allowed.

Under the fair value hedge method, which is allowed only when available-for-sale securities are hedged items, hedging instruments' gains and losses on changes in the fair value are recognized in earnings together with hedged items' corresponding gains and losses attributable to risks being hedged.

In addition, for certain derivative instruments, exceptional hedge accounting methods are allowed under Japanese GAAP as follows:

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts and currency swaps are allowed to be translated at the foreign exchange 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.

11. National and local consumption taxes are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the fiscal year, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as other assets and amortized over a five-year period on the straight-line basis pursuant to the Corporation Tax Act.
12. Policy reserves of the Company are provided pursuant to Article 116 of the Insurance Business Act. Premium reserves, a main component of policy reserves, are calculated according to the following methods:
 - 1) For contracts which are subject to the standard policy reserve requirements, 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. "Payables under repurchase agreements", which was included in "Other liabilities" in the previous fiscal year, is separately presented from the period ended March 31, 2019 as its materiality has increased.
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) considering characteristics of life

insurance liabilities to enhance soundness and profitability of investment returns in mid-to-long term by diversified investments mainly in assets denominated in yen such as bonds and loans, and in stocks within allowable risk limits. In addition, the Company utilizes derivative instruments primarily in order to hedge the risks of fluctuation of values of assets or liabilities.

Major components of the Company's financial instruments and associated risks are as follows:

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

The Company utilizes foreign currency forward contracts, currency options and currency swaps to hedge foreign currency risks of assets and liabilities denominated in foreign currencies, futures trading, forwards trading and options to hedge market risks of stocks, bond futures, options and interest rate swaptions to hedge market risks of fixed rate assets relating to the fluctuation of interest rates, and interest rate swaps to hedge interest fluctuation risks of floating rate assets. Gains and losses on certain foreign currency forward contracts to hedge foreign currency risks mainly of foreign securities are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in the fair value of hedged items and hedging instruments.

Gains and losses on certain interest swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of hedge items and hedging instruments.

When foreign currency forward contracts and currency swaps meet the criteria for applying the allocation method or when interest rate swap transactions meet the criteria for applying the exceptional method, hedge effectiveness is not assessed, according to accounting principles.

The risk management department maintains asset risk management in accordance with Risk Management Policy established by the board of directors. In addition, the Company strives to enhance risk assessment and management quantitatively and comprehensively by defining the framework of risk management about market risk and credit risk of financial instruments and concrete risk management processes pursuant to related rules. Moreover, the risk management department maintains effective risk management structures by independently monitoring whether trading departments operate in compliance with related policies and rules. The board of directors makes decisions in response to the reports of risk management situations.

In order to manage market risk, the Company assesses and analyzes sensitivities of existing financial instruments to changes in interest rates, foreign exchange rates, stock prices and other market indicators by comparing Value-at-Risk (VaR) as integrated risk exposure with the limit for market risk, which is calculated with consideration given to unrealized gains (losses) and realized gains (losses) on sales.

In order to manage credit risk, the Company assesses financial assets such as loans by using internal credit ratings corresponding to financial conditions of security issuers or counterparties of

loans when the Company makes investments, and regularly reviews these ratings. Moreover, the Company manages credit risk by comparing Value-at-Risk (VaR) calculated with Monte Carlo simulations, which are based on the assumptions such as probability of transition for each internal credit rating and expected recovery rate at default, with the limit for credit risk.

2) Fair value of financial instruments

The following table shows the carrying amounts in the consolidated balance sheet, the fair values and their differences of financial instruments as of March 31, 2019.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Cash and deposits	1,604,760	1,604,760	—
[Available-for-sale securities] *1	[386,779]	[386,779]	—
Call loans	238,792	238,792	—
Monetary claims bought	317,252	319,745	2,493
[Available-for-sale securities] *1	[174,259]	[174,259]	—
Securities *2	29,709,964	32,225,984	2,516,019
Trading securities	1,021,016	1,021,016	—
Held-to-maturity debt securities	1,869,326	2,215,434	346,108
Policy-reserve-matching bonds	11,674,328	13,813,577	2,139,248
Investments in unconsolidated subsidiaries and affiliated companies	24,911	55,574	30,662
Available-for-sale securities	15,120,382	15,120,382	—
Loans	3,550,593		
Allowance for possible loan losses *3	(784)		
	3,549,808	3,570,221	20,413
Corporate bonds	528,305	540,002	11,696
Payables under repurchase agreements	1,893,213	1,893,213	—
Payables under securities borrowing transactions	772,360	772,360	—
Derivative transactions *4	51,576	51,576	—
Hedge accounting not applied	11,388	11,388	—
Hedge accounting applied	40,188	40,188	—

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

*2 This table does not include financial instruments for which the fair values are not practically determinable, such as unlisted securities. The consolidated balance sheet amount of these securities was ¥296,052 million as of March 31, 2019.

*3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.

*4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

Note 1: Valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

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

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

2) Monetary claims bought

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

3) Securities

As for stocks with the market values, the fair value is measured based on the average market value during March, 2019.

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 mainly 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 March 31, 2019.

1) Held-to-maturity debt securities

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	427,604	470,400	42,795
	Foreign securities (bonds)	1,440,600	1,743,924	303,324
Fair value does not exceed the balance sheet amount	Bonds	1,122	1,109	(12)
	Foreign securities (bonds)	—	—	—
Total		1,869,326	2,215,434	346,108

2) Policy-reserve-matching bonds

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,988,196	13,119,392	2,131,195
	Foreign securities (bonds)	416,916	432,782	15,865
Fair value does not exceed the balance sheet amount	Bonds	151,573	146,912	(4,661)
	Foreign securities (bonds)	117,641	114,489	(3,151)
Total		11,674,328	13,813,577	2,139,248

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 March 31, 2019.

3) Available-for-sale securities

Millions of Yen				
	Type	Acquisition cost or amortized cost	Balance sheet amount	Difference
	Negotiable certificates of deposit	—	—	—
Balance sheet amount exceeds acquisition cost or amortized cost	Monetary claims bought	151,297	159,271	7,973
	Bonds	1,764,026	1,875,360	111,334
	Stocks	659,033	1,606,017	946,984
	Foreign securities	6,176,880	6,486,590	309,709
	Foreign bonds	5,786,900	6,085,256	298,356
	Other foreign securities	389,980	401,333	11,353

	Other securities	57,271	72,548	15,276
	Negotiable certificates of deposit	386,800	386,779	(20)
Balance sheet	Monetary claims bought	14,999	14,988	(11)
amount does not exceed	Bonds	91,546	90,157	(1,389)
	Stocks	180,614	142,018	(38,595)
acquisition cost or amortized cost	Foreign securities	4,913,718	4,795,219	(118,499)
	Foreign bonds	4,823,385	4,705,231	(118,154)
	Other foreign securities	90,332	89,987	(345)
	Other securities	52,623	52,469	(153)
	Total	14,448,811	15,681,421	1,232,610

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, 2019.

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	1,604,608	—	—	—
Call loans	238,792	—	—	—
Monetary claims bought	14,446	267	275	294,271
Securities	504,341	3,131,361	7,380,421	14,319,291
Held-to-maturity debt securities	54,218	185,209	597,526	1,030,381
Policy-reserve-matching bonds	20,796	522,045	2,040,638	9,009,764
Available-for-sale securities	429,326	2,424,106	4,742,256	4,279,145
Loans	1,219,422	556,855	660,861	793,078
Corporate bonds	—	—	27,750	499,924
Payables under repurchase agreements	1,893,213	—	—	—
Payables under securities borrowing transactions	772,360	—	—	—

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

16. The carrying amount for investment and rental properties was ¥384,351 million, and its fair value was ¥483,378 million as of March 31, 2019. 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 ¥1,326 million as of March 31, 2019.

17. 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 ¥787 million as of March 31, 2019. The details are as follows:

The amount of loans to bankrupt borrowers was nil, and loans in arrears was ¥787 million.

The amount of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheet was ¥21 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.

18. Accumulated depreciation of tangible fixed assets amounted to ¥418,389 million as of March 31, 2019.

19. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥829,521 million as of March 31, 2019. The total amount of separate account liabilities was the same as this.

20. Changes in policyholders' dividend reserves for the fiscal year ended March 31, 2019 were as follows:

	Millions of Yen
At the beginning of the fiscal year	235,548
Transfer from surplus in the previous fiscal year	52,804
Dividend payments to policyholders during the fiscal year	(62,064)
Interest accrued during the fiscal year	35
At the end of the fiscal year	226,323

21. Total amount of investments in affiliates was ¥52,779 million as of March 31, 2019.

22. Assets pledged as collateral were securities in the amount of ¥1,593,874 million as of March 31, 2019.

23. 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.
24. Securities loaned under security lending agreements amounted to ¥3,420,988 million as of March 31, 2019.
25. Securities borrowed under borrowing agreements can be sold or pledged as collateral. The fair value of the securities which were not sold or pledged as collateral was ¥63,886 million, and none of the securities was pledged as collateral as of March 31, 2019.
26. The amount of loan commitments outstanding was ¥17,312 million as of March 31, 2019.
27. 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 March 31, 2019.
28. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of 657,168 million and 620,478 million, respectively.
29. 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 March 31, 2019, pursuant to Article 259 of the Insurance Business Act.
The contributions are recognized as operating expenses when they are made.

30. Deferred tax assets/liabilities as of March 31, 2019 were recognized as follows:

	Millions of Yen
Deferred tax assets	570,498
Valuation allowance for deferred tax assets	(15,622)
Subtotal	554,875
Deferred tax liabilities	(430,128)
Net deferred tax assets	124,746

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

	Millions of Yen
Deferred tax assets:	
Policy reserves and other reserves	246,238
Reserve for price fluctuation	208,182
Net defined benefit liabilities	29,645
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(363,320)

The actual effective income tax rate was 3.6% for the fiscal year ended March 31, 2019. Major components in the difference with the statutory effective income tax rate of 27.96% as of March 31, 2019 were as follows:

Policyholders' dividend reserves	(28.0)%
Investment tax credits of foreign consolidated subsidiaries	(8.9)%
Investment losses and gains under the equity method	6.8%
Amortization of goodwill	3.5%

Notes to the Unaudited Consolidated Statement of Income for the Fiscal Year Ended March 31, 2019

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 fiscal year ended March 31, 2019, the Company recognized impairment losses on real estates for investment that experienced the deterioration of profitability and on the idle assets that experienced the decline in the fair value. For these assets, the Company reduced the carrying amounts to the recoverable amounts, and recognized impairment losses as extraordinary losses in the consolidated statement of income.

3) Breakdown of impairment losses for the fiscal year ended March 31, 2019

Asset Group	Asset Category	Millions of Yen
Idle assets	Land and buildings	10,443
Total		10,443

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 Comprehensive Income for the Fiscal Year Ended March 31, 2019

1. The components of other comprehensive income for the fiscal year ended March 31, 2019 were as follows:

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

	Millions of Yen
<hr/>	
Net unrealized gains(losses) on available-for-sale securities:	
Amount arising during the fiscal year	41,524
Reclassification adjustments	71,412
Before income tax effect adjustments	112,936
Income tax effects	(39,491)
Net unrealized gains(losses) on available-for-sale securities	73,444
<hr/>	
Deferred gains(losses) on derivatives under hedge accounting:	
Amount arising during the fiscal year	2,409
Reclassification adjustments	1,730
Before income tax effect adjustments	4,140
Income tax effects	(772)
Deferred gains(losses) on derivatives under hedge accounting	3,367
<hr/>	
Foreign currency translation adjustments:	
Amount arising during the fiscal year	(7,826)
Reclassification adjustments	–
Before income tax effect adjustments	(7,826)
Income tax effects	–
Foreign currency translation adjustments	(7,826)
<hr/>	
Remeasurements of defined benefit plans:	
Amount arising during the fiscal year	(15,850)
Reclassification adjustments	(10,044)
Before income tax effect adjustments	(25,895)
Income tax effects	7,236
Remeasurements of defined benefit plans	(18,659)
<hr/>	
Share of other comprehensive income of associates under the equity method:	
Amount arising during the year	(4,421)
Reclassification adjustments	(1,357)
Share of other comprehensive income of associates under the equity method	(5,779)

Total other comprehensive income

44,547

Notes to the Unaudited Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2019

1. In the consolidated statement of cash flows, cash and cash equivalents are comprised of cash on hand, deposits (except deposits bearing interest of the Company and domestic consolidated subsidiaries, and restricted cash of foreign consolidated subsidiaries), and short-term investment securities of foreign consolidated subsidiaries.
2. Reconciliation of cash and deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2019 was as follows:

	Millions of Yen
Cash and deposits	1,604,760
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(1,168,585)
Restricted cash of foreign consolidated subsidiaries	(1,045)
Cash and cash equivalents	435,129

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2018	As of March 31, 2019
Solvency margin gross amount (A)	3,962,535	4,160,280
Foundation funds and others	591,238	561,899
Reserve for price fluctuation	657,060	744,582
Contingency reserve	351,157	366,246
Unusual contingency reserve	-	-
General allowance for possible loan losses	831	784
(Net unrealized gains (losses) on available-for-sale securities (before income tax effect adjustments) and deferred gains (losses) on derivatives under hedge accounting (before income tax effect adjustments)) × 90% (Multiplied by 100% if losses)	1,037,714	1,128,259
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	48,808	77,334
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	54,709	28,813
Excess of continued Zillmerized reserve	722,113	737,635
Qualifying subordinated debt	499,924	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(70,399)	(54,899)
Others	69,376	69,699
Total amount of risk $\sqrt{(R_1^2 + R_5^2 + R_6 + R_9)^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	898,743	908,662
Insurance risk R_1	96,858	91,958
General insurance risk R_5	-	-
Large disaster risk R_6	-	-
Third-sector insurance risk R_8	72,278	76,223
Insurance risk of small-amount, short-term insurer R_9	-	-
Risk of assumed yield R_2	200,497	196,938
Minimum guarantee risk R_7 ※	4,941	5,025
Investment risk R_3	656,245	669,825
Operational risk R_4	20,616	20,799
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	881.7%	915.6%

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

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

3. Non-Consolidated Financial Information

a. Overall Composition of Investments (General Account)

(Millions of Yen, %)

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

Note: 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 March 31, 2019	
	Balance sheet amount	Net Valuation gains(losses) included in statement of income	Balance sheet amount	Net Valuation gains(losses) included in statement of income
Trading securities	395	(5)	-	5

Note: Although the above table includes securities in "money-held-in-trusts for trading purposes," there were no applicable amounts for March 31, 2018 and March 31, 2019.

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

(Millions of Yen)

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

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

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 March 31, 2019					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	701	169,860	-	-	-	170,561	452	47,271	-	-	-	47,723
Hedge accounting not applied	-	9,956	-	-	-	9,956	-	(313)	(7)	-	1,232	912
Total	701	179,816	-	-	-	180,518	452	46,957	(7)	-	1,232	48,636

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 ¥28,497 million as of March 31, 2018 and March 31, 2019, respectively.

(2) Interest-related

(Millions of Yen)

Type	As of March 31, 2018				As of March 31, 2019			
	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	29,236	19,535	103	103
Receipts floating, payments fixed	47,808	47,808	660	660	49,945	49,945	349	349
Total				701				452

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

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

[As of March 31, 2019]

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

(3) Currency-related

(Millions of Yen)

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

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

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

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

(4) Stock-related

Type	As of March 31, 2018				As of March 31, 2019			
	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	-	-	-	-	1,067	-	(7)	(7)
Total								(7)

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

(5) Others

(Millions of Yen)

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

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 March 31, 2019
Loans to bankrupt borrowers	-	-
Loans in arrears	909	787
Loans in arrears for three months or longer	-	-
Restructured loans	-	-
Total	909	787
(Percentage of total loans)	(0.03)	(0.03)
(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 March 31, 2019 amounted to ¥22 million and ¥21 million, respectively.

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

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

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

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