

June 12, 2020

Financial Results for the Fiscal Year Ended March 31, 2020
(With Notes to the Unaudited Consolidated Financial Statements)

Sumitomo Life Insurance Company announces financial results for the fiscal year ended March 31, 2020.

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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, 2019	As of March 31, 2020
ASSETS:		
Cash and deposits	1,604,760	1,603,446
Call loans	238,792	354,415
Monetary claims bought	317,252	326,239
Securities	30,006,016	31,224,974
Loans	3,550,593	2,834,875
Tangible fixed assets	571,169	573,778
Land	351,911	360,839
Buildings	185,680	178,097
Lease assets	8,045	6,225
Construction in progress	17,748	20,871
Other tangible fixed assets	7,784	7,744
Intangible fixed assets	271,938	234,531
Software	34,956	34,970
Goodwill	55,528	51,599
Lease assets	41	12
Other intangible fixed assets	181,412	147,948
Due from agents	179	181
Reinsurance receivables	2,203	1,186
Other assets	1,103,996	1,264,231
Net defined benefit assets	20,818	7,258
Deferred tax assets	124,912	218,110
Allowance for possible loan losses	(1,164)	(1,178)
Total assets	37,811,470	38,642,050
LIABILITIES:		
Policy reserves and other reserves	31,052,893	31,698,335
Reserve for outstanding claims	142,074	138,733
Policy reserves	30,684,495	31,338,115
Policyholders' dividend reserves	226,323	221,485
Reinsurance payables	12,846	11,958
Corporate bonds	528,305	477,709
Other liabilities	3,803,492	4,058,781
Payables under repurchase agreements	1,893,213	1,948,528
Payables under securities borrowing transactions	772,360	590,008
Other	1,137,918	1,520,244
Net defined benefit liabilities	10,445	13,655
Reserve for price fluctuation	744,582	787,707
Deferred tax liabilities	166	14,729
Deferred tax liabilities for land revaluation	13,014	12,923
Total liabilities	36,165,746	37,075,800
NET ASSETS:		
Foundation funds	50,000	-
Reserve for redemption of foundation funds	589,000	639,000
Reserve for revaluation	2	2
Surplus	203,072	102,654
Total funds, reserve and surplus	842,075	741,656
Net unrealized gains(losses) on available-for-sale securities	899,876	949,379
Deferred gains(losses) on derivatives under hedge accounting	810	405
Land revaluation differences	(61,417)	(59,708)
Foreign currency translation adjustments	(56,487)	(61,476)
Remeasurements of defined benefit plans	20,756	(4,127)
Total accumulated other comprehensive income	803,538	824,471
Non-controlling interests	109	121
Total net assets	1,645,723	1,566,249
Total liabilities and net assets	37,811,470	38,642,050

b. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Ordinary income	3,639,446	3,485,973
Insurance premiums and other	2,605,680	2,446,744
Investment income	899,775	904,006
Interest, dividends and other income	769,003	766,032
Gains on trading securities	-	24,055
Gains on sales of securities	103,679	94,074
Gains on redemption of securities	2,011	14,001
Foreign exchange gains	4,461	-
Other investment income	4,994	5,842
Investment gains on separate accounts	15,624	-
Other ordinary income	133,990	135,222
Ordinary expenses	3,488,605	3,448,381
Benefits and other payments	2,065,538	2,011,767
Claims paid	666,493	636,852
Annuity payments	504,170	488,078
Benefits payments	368,394	394,265
Surrender benefits	459,457	430,784
Other refunds	67,022	61,787
Provision for policy reserves and other reserves	557,329	553,536
Provision for reserve for outstanding claims	4,548	-
Provision for policy reserves	552,746	553,504
Provision for interest on policyholders' dividend reserves	35	32
Investment expenses	294,168	325,237
Interest expenses	30,271	28,553
Losses on trading securities	2,514	-
Losses on sales of securities	97,320	17,108
Losses on valuation of securities	6,364	55,202
Losses on redemption of securities	1,460	5,847
Losses on derivative financial instruments	119,914	84,282
Foreign exchange losses	-	11,645
Provision for allowance for possible loan losses	141	26
Depreciation of real estate for investments	8,648	8,635
Other investment expenses	27,533	91,969
Investment losses on separate accounts	-	21,964
Operating expenses	409,598	401,645
Other ordinary expenses	161,970	156,194
Ordinary profit	150,840	37,591
Extraordinary gains	1,031	247
Gains on disposals of fixed assets	1,031	247
Extraordinary losses	101,786	46,712
Losses on disposals of fixed assets	2,976	1,991
Impairment losses	10,458	873
Provision for reserve for price fluctuation	87,522	43,124
Payments to social responsibility reserve	829	723
Surplus(loss) before income taxes	50,085	(8,873)
Income taxes		
Current	44,165	56,078
Deferred	(42,357)	(70,168)
Total income taxes	1,807	(14,090)
Net surplus	48,277	5,217
Net surplus attributable to non-controlling interests	10	10
Net surplus attributable to the Parent Company	48,266	5,207

c. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net surplus	48,277	5,217
Other comprehensive income(loss)	44,547	19,403
Net unrealized gains(losses) on available-for-sale securities	73,444	47,474
Deferred gains(losses) on derivatives under hedge accounting	3,367	(345)
Foreign currency translation adjustments	(7,826)	(5,157)
Remeasurements of defined benefit plans	(18,659)	(24,884)
Share of other comprehensive income(loss) of associates under the equity method	(5,779)	2,317
Comprehensive income(loss)	92,825	24,620
Comprehensive income(loss) attributable to the Parent Company	92,814	24,610
Comprehensive income(loss) attributable to non-controlling interests	10	10

d. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Year ended March 31, 2019	Year ended March 31, 2020
I Cash flows from operating activities:		
Surplus(loss) before income taxes	50,085	(8,873)
Depreciation of real estate for investments	8,648	8,635
Depreciation	31,524	32,162
Impairment losses	10,458	873
Amortization of goodwill	6,340	3,673
Increase(Decrease) in reserve for outstanding claims	7,464	(3,016)
Increase(Decrease) in policy reserves	680,328	681,090
Provision for interest on policyholders' dividend reserves	35	32
Increase(Decrease) in allowance for possible loan losses	128	17
Increase(Decrease) in net defined benefit liabilities	(15,883)	(17,779)
Increase(Decrease) in reserve for price fluctuation	87,522	43,124
Interest, dividends and other income	(769,003)	(766,032)
Losses(Gains) on securities	13,317	6,065
Interest expenses	30,271	28,553
Foreign exchange losses(gains)	(3,916)	11,381
Losses(Gains) on tangible fixed assets	1,795	1,696
Investment losses(gains) under the equity method	12,344	(175)
Decrease(Increase) in due from agents	(71)	(4)
Decrease(Increase) in reinsurance receivables	488	997
Decrease(Increase) in other assets (excluding those related to investing and financing activities)	(674,913)	6,432
Increase(Decrease) in reinsurance payables	5,392	(1,279)
Increase(Decrease) in other liabilities (excluding those related to investing and financing activities)	629,173	48,693
Others, net	99,862	51,589
Subtotal	211,392	127,859
Interest, dividends and other income received	839,009	845,549
Interest paid	(31,628)	(30,611)
Policyholders' dividends paid	(62,064)	(55,155)
Others, net	(829)	(723)
Income taxes paid	(63,563)	(37,894)
Net cash provided by operating activities	892,314	849,025
II Cash flows from investing activities:		
Net decrease(increase) in deposits	(81,913)	150,380
Purchase of monetary claims bought	(155,924)	(245,999)
Proceeds from sales and redemption of monetary claims bought	122,717	237,501
Purchase of securities	(6,073,745)	(5,211,014)
Proceeds from sales and redemption of securities	5,029,382	3,697,814
Loans made	(2,414,395)	(1,518,948)
Proceeds from collection of loans	2,283,581	2,210,826
Others, net	597,985	(81,078)
Total investment activities (II a)	(692,311)	(760,519)
[I + II a]	[200,003]	[88,506]
Purchase of tangible fixed assets	(18,804)	(24,166)
Proceeds from sales of tangible fixed assets	8,378	1,320
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(443)
Others, net	(11,162)	(14,501)
Net cash used in investing activities	(713,899)	(798,310)
III Cash flows from financing activities:		
Proceeds from issuance of debt	0	50,000
Repayments of debt	(33,300)	-
Redemption of corporate bonds	(16,650)	(50,000)
Redemption of foundation funds	(50,000)	(50,000)
Payment of interest on foundation funds	(1,116)	(556)
Others, net	(2,016)	149,362
Net cash provided by(used in) financing activities	(103,082)	98,805
IV Effect of foreign exchange rate changes on cash and cash equivalents	(1,061)	(426)
V Net increase(decrease) in cash and cash equivalents	74,270	149,094
VI Cash and cash equivalents at the beginning of the year	360,858	435,129
VII Cash and cash equivalents at the end of the year	435,129	584,224

e. Unaudited Consolidated Statements of Changes in Net Assets

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

Year ended March 31, 2020

(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	50,000	589,000	2	203,072	842,075
Cumulative effect due to U.S. GAAP(ASU2017-12) used for U.S. subsidiaries				60	60
Beginning balance after reflecting U.S. GAAP(ASU2017-12)used for U.S. subsidiaries	50,000	589,000	2	203,133	842,135
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(50,285)	(50,285)
Additions to reserve for redemption of foundation funds		50,000		(50,000)	-
Payment of interest on foundation funds				(556)	(556)
Net surplus attributable to the Parent Company				5,207	5,207
Redemption of foundation funds	(50,000)				(50,000)
Change in scope of equity method				(3,135)	(3,135)
Reversal of land revaluation differences				(1,708)	(1,708)
Net changes, excluding funds, reserve and surplus					
Net changes in the fiscal year	(50,000)	50,000	-	(100,478)	(100,478)
Ending balance	-	639,000	2	102,654	741,656

	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	899,876	810	(61,417)	(56,487)	20,756	803,538	109	1,645,723
Cumulative effect due to U.S. GAAP(ASU2017-12) used for U.S. subsidiaries		(60)				(60)		-
Beginning balance after reflecting U.S. GAAP(ASU2017-12) used for U.S. subsidiaries	899,876	750	(61,417)	(56,487)	20,756	803,478	109	1,645,723
Changes in the fiscal year								
Additions to policyholders' dividend reserves								(50,285)
Additions to reserve for redemption of foundation funds								-
Payment of interest on foundation funds								(556)
Net surplus attributable to the Parent Company								5,207
Redemption of foundation funds								(50,000)
Change in scope of equity method								(3,135)
Reversal of land revaluation differences								(1,708)
Net changes, excluding funds, reserve and surplus	49,503	(345)	1,708	(4,988)	(24,884)	20,993	11	21,004
Net changes in the fiscal year	49,503	(345)	1,708	(4,988)	(24,884)	20,993	11	(79,474)
Ending balance	949,379	405	(59,708)	(61,476)	(4,127)	824,471	121	1,566,249

Notes to the Unaudited Consolidated Financial Statements

Policies of Presenting the Unaudited Consolidated Financial Statements for the Fiscal Year Ended March 31, 2020

1. Consolidated subsidiaries

The number of consolidated subsidiaries was 26 as of March 31, 2020.

The major subsidiaries as of March 31, 2020 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)
AIARU Small Amount & Short Term Insurance Co., Ltd. (Japan)
Symetra Financial Corporation (U.S.A.)

AIARU Small Amount & Short Term Insurance Co., Ltd. was included in the scope of the consolidation as a result of share acquisition from the period ended March 31, 2020.

Two subsidiaries of Symetra Financial Corporation were included in the scope of the consolidation as a result of its establishment from the period ended March 31, 2020.

Two subsidiaries of Symetra Financial Corporation were excluded from the scope of the consolidation due to completion of liquidation from the period ended March 31, 2020.

2. Affiliates

The number of affiliates under the equity method was 8 as of March 31, 2020.

The major affiliates as of March 31, 2020 are listed as follows:

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)
Singapore Life Pte. Ltd. (Singapore)

Singapore Life Pte. Ltd. was included in the scope of equity method affiliates as a result of share acquisition from the period ended March 31, 2020.

Sumitomo Mitsui Asset Management Company, Limited was excluded from affiliates accounted for by the equity method as the company was excluded from affiliates from the period ended March 31, 2020.

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, 2019. 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, 2020

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 the last month of the fiscal year. The other available-for-sale securities with the readily determinable market values are stated mainly at the market value on the balance sheet date. Available-for-sale securities for which determination of the fair value is impracticable are stated mainly at cost. The cost of these securities sold is calculated using the moving average method.

Certain demand deposits, monetary claims bought and securities in money-held-in-trusts deemed equivalent to investment in securities are stated using the same methods described above.

Unrealized gains and losses on available-for-sale securities are reported net of income taxes, as a separate component of net assets in the consolidated balance sheet.

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 sheet.

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.

Foreign-currency-denominated debt securities classified as available-for-sale securities, which are exposed to significant foreign exchange rate fluctuations, are translated at the average of exchange rates during the last month of the fiscal year.

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 was ¥35 million for the fiscal year ended March 31, 2020.

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, 2020 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, 2020 were as follows:

	Millions of Yen
At the beginning of the fiscal year	290,529
Service costs	12,154
Interest costs on projected benefit obligations	4,179
Actuarial losses (gains)	(60)
Benefits paid	(27,087)
Past service costs	(737)
Others	112
At the end of the fiscal year	279,090

b) Changes in the plan assets for the fiscal year ended March 31, 2020 were as follows:

	Millions of Yen
At the beginning of the fiscal year	300,902
Expected return on plan assets	3,719
Actuarial gains (losses)	(24,323)
Contribution by employer	7,012
Benefits paid	(14,608)

Others	(9)
At the end of the fiscal year	<u>272,693</u>

c) The amounts of the defined benefit liabilities and the defined benefit assets in the consolidated balance sheet as of March 31, 2020 were determined as follows:

	Millions of Yen
Present value of funded obligations	277,305
Plan assets at fair value	<u>(272,693)</u>
Net present value of funded obligations	4,612
Present value of unfunded obligations	<u>1,784</u>
Net value on the balance sheet	<u>6,396</u>
Net defined benefit liabilities	13,655
Net defined benefit assets	<u>(7,258)</u>
Net value on the balance sheet	<u>6,396</u>

d) The amounts recognized in retirement benefit expenses in the consolidated statement of income for the fiscal year ended March 31, 2020 were as follows:

	Millions of Yen
Service costs	12,154
Interest costs on projected benefit obligations	4,179
Expected return on plan assets	(3,719)
Amortization of net actuarial losses (gains)	(7,227)
Amortization of net past service costs	(3,795)
Others	<u>135</u>
Retirement benefit expenses	<u>1,726</u>

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, 2020 were as follows:

	Millions of Yen
Actuarial gains (losses)	(31,491)
Past service costs	<u>(3,057)</u>
Total	<u>(34,548)</u>

Major components of accumulated other comprehensive income (before income tax effect adjustments) as of March 31, 2020 were as follows:

	Millions of Yen
Unrecognized actuarial gains (losses)	(9,951)
Unrecognized past service costs	<u>4,216</u>
Total	<u>(5,735)</u>

f) The plan assets

The plan assets as of March 31, 2020 were comprised as follows:

	% of total fair value of plan assets
General accounts of life insurance companies	46
Equity securities	32
Investment trusts	8
Debt securities	7
Others	7
Total	100

40% of the plan assets were the retirement benefit trusts as of March 31, 2020.

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, 2020 were as follows:

Discount rate	1.473%
Expected long-term rates of return on the plan assets	
Defined benefit pension plans	2.2%
Retirement benefit trusts	0.0%

3) Defined contribution plans

The amounts recognized as expenses for the defined contribution plans were ¥2,170 million for the fiscal year ended March 31, 2020.

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. Following the enactment of “Act for Partial Revision of the Income Tax Act, etc.” (Act No.8 of 2020), the transition from the consolidation tax filings to the group tax sharing system will be applied for the fiscal year beginning on April 1, 2022. Due to this change, the Company and certain domestic subsidiaries adopted “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Practical Issues Task Force No.39, March 31, 2020) and deferred tax assets/liabilities as of March 31, 2020 are recognized based on the prior Income Tax Act.
13. 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.

14. 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.
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 rate swaps used for hedging interest rate risks mainly of floating rate loans are accounted for under hedge accounting. The hedge effectiveness is regularly assessed by comparing fluctuations in cash flows of 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, 2020.

	Millions of Yen		
	Balance sheet amount	Fair value	Difference
Cash and deposits	1,603,446	1,603,446	—
[Available-for-sale securities] *1	[435,863]	[435,863]	—
Call loans	354,415	354,415	—
Monetary claims bought	326,239	329,205	2,966
[Available-for-sale securities] *1	[193,071]	[193,071]	—
Securities *2	31,107,116	33,429,771	2,322,654
Trading securities	1,008,273	1,008,273	—
Held-to-maturity debt securities	1,795,570	2,131,695	336,124
Policy-reserve-matching bonds	12,029,249	14,032,115	2,002,866
Investments in unconsolidated subsidiaries and affiliated companies	44,205	27,869	(16,336)
Available-for-sale securities	16,229,817	16,229,817	—
Loans	2,834,875		
Allowance for possible loan losses *3	(768)		
	2,834,106	2,852,340	18,233
Corporate bonds	477,709	464,761	(12,948)
Payables under repurchase agreements	1,948,528	1,948,528	—
Payables under securities borrowing transactions	590,008	590,008	—
Derivative transactions *4	179,494	179,494	—
Hedge accounting not applied	39,568	39,568	—
Hedge accounting applied	139,925	139,925	—

*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 ¥117,857 million as of March 31, 2020.
- *3 The allowance for possible loan losses earmarked for loans is deducted from the carrying amount of loans.
- *4 Debits and credits arising from derivative transactions are netted, and the net credit positions are shown in ().

Note 1: Valuation methods for financial instruments

Assets

1) Cash and deposits and call loans

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

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

2) Monetary claims bought

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

3) Securities

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

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

4) Loans

As for policy loans, the book value is deemed as the fair value since the fair value approximates the book value, considering that the loan amount is limited within surrender value with no contractual maturity and given their estimated repayment period and interest rate terms.

As for general loans, the fair value is measured mainly as the present value of estimated future cash flows from the loans.

As for loans to borrowers that are legally or substantially bankrupt and borrowers likely to become bankrupt, the fair values are, in principle, measured as the carrying amounts less the allowance for possible loan losses.

Liabilities

1) Corporate bonds

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

2) Payables under repurchase agreements and payables under securities borrowing transactions

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

Derivative transactions

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 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, 2020.

1) Held-to-maturity debt securities

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	379,792	416,661	36,869
	Foreign securities (bonds)	1,414,600	1,713,866	299,266
Fair value does not exceed the balance sheet amount	Bonds	1,178	1,167	(11)
	Foreign securities (bonds)	—	—	—
Total		1,795,570	2,131,695	336,124

2) Policy-reserve-matching bonds

Millions of Yen				
	Type	Balance sheet amount	Fair value	Difference
Fair value exceeds the balance sheet amount	Bonds	10,989,452	12,959,664	1,970,212
	Foreign securities (bonds)	559,223	603,107	43,884
Fair value does not exceed the balance sheet amount	Bonds	302,785	297,241	(5,543)
	Foreign securities (bonds)	177,788	172,101	(5,687)
Total		12,029,249	14,032,115	2,002,866

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, 2020.

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	159,666	168,153	8,486
	Bonds	1,659,026	1,754,917	95,891
	Stocks	590,729	1,270,735	680,005
	Foreign securities	9,473,520	10,184,734	711,214
	Foreign bonds	9,159,745	9,856,756	697,011
	Other foreign securities	313,774	327,978	14,203
	Other securities	54,551	66,754	12,202
		Negotiable certificates of deposit	435,900	435,863
Balance sheet amount does not exceed acquisition cost or amortized cost	Monetary claims bought	24,952	24,918	(34)
	Bonds	591,297	577,571	(13,725)
	Stocks	405,472	324,583	(80,889)
	Foreign securities	1,885,745	1,819,711	(66,033)
	Foreign bonds	1,427,585	1,383,966	(43,618)
	Other foreign securities	458,160	435,744	(22,415)
	Other securities	248,971	230,808	(18,163)
	Total	15,529,834	16,858,752	1,328,917

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, 2020.

	Millions of Yen			
	Within 1 year	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Deposits	1,603,343	—	—	—
Call loans	354,415	—	—	—
Monetary claims bought	24,116	203	282	293,163
Securities	699,726	3,043,624	8,459,941	13,699,243
Held-to-maturity debt securities	117,198	283,826	402,846	989,981
Policy-reserve-matching bonds	62,917	618,889	3,325,789	7,920,101
Available-for-sale securities	519,611	2,140,909	4,731,305	4,789,159
Loans	401,786	547,750	630,543	947,115
Corporate bonds	—	27,390	—	449,924
Payables under repurchase agreements	1,948,528	—	—	—
Payables under securities borrowing transactions	590,008	—	—	—

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 ¥393,623 million, and its fair value was ¥504,776 million as of March 31, 2020. 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 ¥1,364 million as of March 31, 2020.

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 ¥1,062 million as of March 31, 2020. The details are as follows:

The amount of loans to bankrupt borrowers was nil, and loans in arrears was ¥808 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 unlikelihood of repayment of principal or interest resulting from delinquency of principal or interest for a certain period or other reasons ("non-accrual loans") and also meet the conditions stipulated in Article 96, Paragraph 1 Item 3 or 4 of Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Loans in arrears represent non-accrual loans excluding loans to bankrupt borrowers 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 ¥254 million.

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 ¥424,009 million as of March 31, 2020.
19. The total amount of assets held in separate accounts defined in Article 118 of the Insurance Business Act was ¥726,126 million as of March 31, 2020. 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, 2020 were as follows:

	Millions of Yen
At the beginning of the fiscal year	226,323
Transfer from surplus in the previous fiscal year	50,285
Dividend payments to policyholders during the fiscal year	(55,155)
Interest accrued during the fiscal year	32
At the end of the fiscal year	221,485

21. Total amount of investments in affiliates was ¥76,949 million as of March 31, 2020.
22. Assets pledged as collateral were securities in the amount of ¥2,565,127 million, loans in the amount of ¥203,300 million and cash and deposits in the amount of ¥1,102 million as of March 31, 2020.
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 ¥3,905,476 million as of March 31, 2020.
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 ¥34,460 million, and none of the securities was pledged as collateral as of March 31, 2020.

26. The amount of loan commitments outstanding was ¥17,777 million as of March 31, 2020.
27. The amount of corporate bonds in liabilities included ¥449,924 million of subordinated bonds and foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations, as of March 31, 2020.
28. Other liabilities included subordinated debt of ¥50,000 million, the repayments of which are subordinated to other obligations as of March 31, 2020.
29. Other assets and other liabilities included assets and liabilities related to the modified coinsurance in U.S. subsidiary of ¥617,869 million and ¥651,281 million, respectively.
30. The Company and a domestic life insurance business subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥37,924 million as of March 31, 2020, pursuant to Article 259 of the Insurance Business Act.
The contributions are recognized as operating expenses when they are made.

31. Deferred tax assets/liabilities as of March 31, 2020 were recognized as follows:

	Millions of Yen
Deferred tax assets	648,740
Valuation allowance for deferred tax assets	(16,234)
Subtotal	632,505
Deferred tax liabilities	(429,125)
Net deferred tax assets	203,380

Major components of deferred tax assets/liabilities as of March 31, 2020 were as follows:

	Millions of Yen
Deferred tax assets:	
Policy reserves and other reserves	309,500
Reserve for price fluctuation	220,239
Net defined benefit liabilities	34,322
Deferred tax liabilities:	
Net unrealized gains on available-for-sale securities	(354,974)

Notes to the Unaudited Consolidated Statement of Income for the Fiscal Year Ended March 31, 2020

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, 2020, 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, 2020

Asset Group	Asset Category	Millions of Yen
Idle assets	Land and buildings	514
Total		514

4) The recoverable amounts

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

Notes to the Unaudited Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2020

1. The components of other comprehensive income for the fiscal year ended March 31, 2020 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	66,193
Reclassification adjustments	(17,252)
Before income tax effect adjustments	48,940
Income tax effects	(1,466)
Net unrealized gains (losses) on available-for-sale securities	47,474
<hr/>	
Deferred gains (losses) on derivatives under hedge accounting:	
Amount arising during the fiscal year	(310)
Reclassification adjustments	(364)
Before income tax effect adjustments	(674)
Income tax effects	329
Deferred gains (losses) on derivatives under hedge accounting	(345)
<hr/>	
Foreign currency translation adjustments:	
Amount arising during the fiscal year	(5,157)
Reclassification adjustments	–
Before income tax effect adjustments	(5,157)
Income tax effects	–
Foreign currency translation adjustments	(5,157)
<hr/>	
Remeasurements of defined benefit plans:	
Amount arising during the fiscal year	(23,525)
Reclassification adjustments	(11,023)
Before income tax effect adjustments	(34,548)
Income tax effects	9,664
Remeasurements of defined benefit plans	(24,884)
<hr/>	
Share of other comprehensive income of associates under the equity method:	
Amount arising during the year	2,104
Reclassification adjustments	212
Share of other comprehensive income of associates under the equity method	2,317

Total other comprehensive income

19,403

Notes to the Unaudited Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2020

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 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, 2020 was as follows:

	Millions of Yen
Cash and deposits	1,603,446
Deposits bearing interest of the Company and domestic consolidated subsidiaries	(1,019,222)
Cash and cash equivalents	584,224

2. Solvency Margin Ratio on a Consolidated Basis

(Millions of Yen)

	As of March 31, 2019	As of March 31, 2020
Solvency margin gross amount (A)	4,160,280	4,264,500
Foundation funds and others	561,899	505,118
Reserve for price fluctuation	744,582	787,707
Contingency reserve	366,246	419,176
Unusual contingency reserve	-	-
General allowance for possible loan losses	784	767
(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)	1,128,259	1,171,645
Net unrealized gains on real estate × 85% (Multiplied by 100% if losses)	77,334	96,066
Total amount of unrecognized actuarial gains (losses) and unrecognized past service costs	28,813	(5,735)
Excess of continued Zillmerized reserve	737,635	796,434
Qualifying subordinated debt	499,924	499,924
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	-	-
Deduction clause	(54,899)	(76,870)
Others	69,699	70,265
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)	908,662	980,290
Insurance risk R_1	91,958	91,876
General insurance risk R_5	-	-
Large disaster risk R_6	-	0
Third-sector insurance risk R_8	76,223	81,094
Insurance risk of small-amount, short-term insurer R_9	-	7
Risk of assumed yield R_2	196,938	188,775
Minimum guarantee risk R_7^{\ast}	5,025	6,025
Investment risk R_3	669,825	747,438
Operational risk R_4	20,799	22,304
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	915.6%	870.0%

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

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

3. Non-Consolidated Financial Information

a. Overall Composition of Investments (General Account)

(Millions of Yen, %)

	As of March 31, 2019		As of March 31, 2020	
	Amount	% of total	Amount	% of total
Cash, deposits and call loans	1,728,859	5.4	1,751,825	5.4
Monetary claims bought	317,252	1.0	326,239	1.0
Investments in securities	25,981,809	81.4	26,790,871	83.1
Domestic bonds	13,348,453	41.8	13,809,070	42.8
Domestic stocks	1,868,704	5.9	1,718,821	5.3
Foreign securities	10,636,418	33.3	10,959,518	34.0
Foreign bonds	9,398,093	29.4	9,611,587	29.8
Other foreign securities	1,238,325	3.9	1,347,930	4.2
Other securities	128,231	0.4	303,462	0.9
Loans	2,874,970	9.0	2,099,584	6.5
Policy loans	289,747	0.9	281,112	0.9
Industrial and consumer loans	2,585,222	8.1	1,818,472	5.6
Real estate	553,738	1.7	558,552	1.7
Investment property	380,980	1.2	389,872	1.2
Deferred tax assets	123,979	0.4	214,138	0.7
Other assets	337,027	1.1	493,105	1.5
Allowance for possible loan losses	(870)	(0.0)	(816)	(0.0)
Total	31,916,765	100.0	32,233,500	100.0
Foreign currency denominated assets	10,117,094	31.7	10,453,682	32.4

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, 2019		As of March 31, 2020	
	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	-	5	-	-

Note: Although the above table includes securities in "money-held-in-trusts for trading purposes," there were no applicable amounts for March 31, 2019 and March 31, 2020.

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

(Millions of Yen)

	As of March 31, 2019					As of March 31, 2020				
	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	1,799,665	2,132,194	332,529	332,529	(0)	1,725,807	2,049,016	323,208	323,213	(5)
Policy-reserve-matching bonds	11,674,328	13,813,577	2,139,248	2,147,061	(7,813)	12,029,249	14,032,115	2,002,866	2,014,096	(11,230)
Investments in subsidiaries and affiliated companies	33,173	55,574	22,400	22,400	-	52,238	27,869	(24,369)	-	(24,369)
Available-for-sale securities	10,912,420	12,196,621	1,284,201	1,359,380	(75,178)	11,788,547	12,951,026	1,162,478	1,335,068	(172,589)
Domestic bonds	1,746,572	1,849,618	103,045	104,399	(1,353)	2,128,756	2,205,625	76,869	90,306	(13,437)
Domestic stocks	839,591	1,747,909	908,317	946,912	(38,595)	996,146	1,595,204	599,057	679,946	(80,889)
Foreign securities	7,663,264	7,913,036	249,772	284,817	(35,044)	7,739,602	8,223,698	484,096	544,125	(60,028)
Foreign bonds	7,184,172	7,422,935	238,763	273,463	(34,699)	6,967,667	7,459,975	492,308	529,922	(37,613)
Other foreign securities	479,091	490,100	11,008	11,353	(345)	771,934	763,722	(8,211)	14,203	(22,415)
Other securities	109,895	125,018	15,123	15,276	(153)	303,523	297,562	(5,960)	12,202	(18,163)
Monetary claims bought	166,297	174,259	7,962	7,973	(11)	184,619	193,071	8,451	8,486	(34)
Negotiable certificates of deposit	386,800	386,779	(20)	-	(20)	435,900	435,863	(36)	-	(36)
Others	-	-	-	-	-	-	-	-	-	-
Total	24,419,588	28,197,967	3,778,379	3,861,372	(82,992)	25,595,843	29,060,026	3,464,183	3,672,378	(208,194)
Domestic bonds	13,245,407	15,504,192	2,258,784	2,264,800	(6,015)	13,732,200	15,797,682	2,065,481	2,084,466	(18,985)
Domestic stocks	839,591	1,747,909	908,317	946,912	(38,595)	996,146	1,595,204	599,057	679,946	(80,889)
Foreign securities	9,671,596	10,259,807	588,211	626,408	(38,196)	9,943,452	10,740,642	797,190	887,275	(90,085)
Foreign bonds	9,159,330	9,714,132	554,802	592,654	(37,851)	9,119,279	9,949,050	829,771	873,072	(43,300)
Other foreign securities	512,265	545,674	33,408	33,753	(345)	824,173	791,591	(32,581)	14,203	(46,784)
Other securities	109,895	125,018	15,123	15,276	(153)	303,523	297,562	(5,960)	12,202	(18,163)
Monetary claims bought	166,297	174,259	7,962	7,973	(11)	184,619	193,071	8,451	8,486	(34)
Negotiable certificates of deposit	386,800	386,779	(20)	-	(20)	435,900	435,863	(36)	-	(36)
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, 2019	As of March 31, 2020
Held-to-maturity debt securities	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Investments in subsidiaries and affiliated companies	586,899	593,981
Available-for-sale securities	243,910	62,246
Unlisted domestic stocks (excluding over-the-counter stocks)	16,136	21,841
Unlisted foreign stocks (excluding over-the-counter stocks)	224,558	34,558
Unlisted foreign bonds	-	-
Others	3,215	5,845
Total	830,809	656,227

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

(1) Net Gains and Losses on Derivatives

(Millions of Yen)

	As of March 31, 2019						As of March 31, 2020					
	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total	Interest-related	Currency-related	Stock-related	Bond-related	Others	Total
Hedge accounting applied	452	47,271	-	-	-	47,723	(515)	172,039	-	-	-	171,523
Hedge accounting not applied	-	(313)	(7)	-	1,232	912	-	(3,162)	697	-	(1,639)	(4,105)
Total	452	46,957	(7)	-	1,232	48,636	(515)	168,876	697	-	(1,639)	167,418

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 ¥28,497 million and ¥134,617 million as of March 31, 2019 and March 31, 2020, respectively.

(2) Interest-related

(Millions of Yen)

Type	As of March 31, 2019				As of March 31, 2020			
	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	29,236	19,535	103	103	20,035	15,645	28	28
Receipts floating, payments fixed	49,945	49,945	349	349	48,973	-	(544)	(544)
Total				452				(515)

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

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

[As of March 31, 2020]

(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)	4,390	4,110	11,035	500	-	-	20,035
Average fixed rate (receipt)	0.43	1.43	1.20	0.16	-	-	1.05
Average floating rate (payment)	0.11	1.42	1.15	0.24	-	-	0.96
Notional amount (receipts floating, payments fixed)	48,973	-	-	-	-	-	48,973
Average fixed rate (payment)	2.68	-	-	-	-	-	2.68
Average floating rate (receipt)	2.47	-	-	-	-	-	2.47

(3) Currency-related

(Millions of Yen)

Type	As of March 31, 2019				As of March 31, 2020			
	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	7,364,537	437,618	35,203	35,203	9,733,616	1,191,995	155,729	155,729
(U.S. dollar)	3,134,162	-	(39,862)	(39,862)	5,032,379	1,138,338	(46,419)	(46,419)
(Euro)	2,416,954	-	73,198	73,198	2,884,417	-	31,661	31,661
(Australian dollar)	1,413,999	437,618	4,886	4,886	1,070,479	53,656	111,582	111,582
Bought	290,616	-	(6,908)	(6,908)	2,353,557	165,027	(22,613)	(22,613)
(U.S. dollar)	22,550	-	124	124	1,188,828	-	1,595	1,595
(Euro)	-	-	-	-	906,728	165,027	(1,971)	(1,971)
(Australian dollar)	266,038	-	(7,036)	(7,036)	22,344	-	(1,519)	(1,519)
Currency options								
Sold								
Call	172,500	-			220,250	-		
(U.S. dollar)	[465]	-	425	39	[907]	-	1,783	(876)
(U.S. dollar)	172,500	-	425	39	220,250	-	1,783	(876)
(U.S. dollar)	[465]	-	425	39	[907]	-	1,783	(876)
Bought								
Put	157,500	-			199,000	-		
(U.S. dollar)	[1,585]	-	1,434	(151)	[1,986]	-	1,201	(784)
(U.S. dollar)	157,500	-	1,434	(151)	199,000	-	1,201	(784)
(U.S. dollar)	[1,585]	-	1,434	(151)	[1,986]	-	1,201	(784)
Currency swaps								
(U.S. dollar)	37,806	37,806	(972)	(972)	37,806	37,806	(3,638)	(3,638)
(Euro)	35,351	35,351	(893)	(893)	35,351	35,351	(3,656)	(3,656)
(Euro)	2,454	2,454	(78)	(78)	2,454	2,454	18	18
Total				27,211				127,816

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

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

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

(4) Stock-related

(Millions of Yen)

Type	As of March 31, 2019				As of March 31, 2020			
	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)	10,069	-	697	697
Total				(7)				697

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

(5) Others

(Millions of Yen)

Type	As of March 31, 2019				As of March 31, 2020			
	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 [34]	-	197	(163)	139,122 [337]	-	62	275
Bought								
Call	72,059 [1,567]	-	2,963	1,395	128,961 [2,816]	-	900	(1,915)
Total				1,232				(1,639)

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, 2019	As of March 31, 2020
Loans to bankrupt borrowers	-	-
Loans in arrears	787	808
Loans in arrears for three months or longer	-	-
Restructured loans	-	-
Total	787	808
(Percentage of total loans)	(0.03)	(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, 2019 and March 31, 2020 amounted to ¥21 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.