

5 Status of Financial Assets (Non-Consolidated)

5-1 Loans by Borrower Category

(Millions of yen, %)

As of March 31	2017	2018
Bankrupt or quasi-bankrupt loans	¥ –	¥ –
Doubtful loans	–	–
Substandard loans	–	–
Subtotal	–	–
(Percentage in total)	(–)	(–)
Normal loans	9,070,318	9,161,528
Total	9,070,318	9,161,528

Notes:

- Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
- Doubtful loans are loans for which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower has not fallen into bankruptcy.
- Substandard loans are past due loans for three months or more and restructured loans.
"Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2). "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
- Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

5-2 Status of Risk-Monitored Loans

There were no such outstanding balances as of March 31, 2017 and 2018.

5-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts

There were no such outstanding balances as of March 31, 2017 and 2018.

5-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

(Millions of yen)

As of March 31	2017	2018
Total amount of solvency margin (A)	¥ 5,420,173	¥ 5,591,395
Capital stock, etc.	1,491,298	1,554,861
Reserve for price fluctuations	788,712	916,743
Contingency reserve	2,254,027	2,114,348
General reserve for possible loan losses	59	60
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	399,297	501,809
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	103	(2,896)
Excess of continued Zillmerized reserve	486,674	506,467
Capital raised through debt financing	–	–
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	–	–
Deductions	–	–
Other	–	–
Total amount of risk (B)	840,902	989,104
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Insurance risk R ₁	153,070	147,403
Underwriting risk of third-sector insurance R ₈	69,104	63,087
Anticipated yield risk R ₂	158,838	150,450
Minimum guarantee risk R ₇	–	–
Investment risk R ₃	631,173	792,377
Business management risk R ₄	20,243	23,066
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,289.1%	1,130.5%

Note: These figures are calculated based on the provisions set forth in the public notification No. 50 issued by the Ministry of Finance in 1996 and Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act.

5-5 Real Net Assets

(Millions of yen, %)

As of March 31	2017	2018
Real net assets	12,757,455	12,899,899
[Ratio to general account assets]	[15.9]	[16.8]

Note: These figures are calculated based on the provisions set forth in Article 3, Paragraph 2 of the “Order Providing for Categories Prescribed in Article 132, Paragraph 2 of the Insurance Business Act.”

5-6 Fair Value Information of Securities (Company Total)

(1) Fair Value Information of Securities

1) Net Valuation Gain/Loss of Trading Securities

The Company did not hold securities for trading as of March 31, 2017 and 2018.

2) Fair Value Information of Securities (with Fair Value, Other than Trading Securities)

(Millions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	¥ 40,441,881	¥ 46,518,693	¥ 6,076,812	¥ 6,149,942	¥ 73,129	¥38,490,055	¥44,608,732	¥6,118,677	¥6,160,256	¥ 41,579
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075	1,204,445	24,370	10,676,330	11,769,615	1,093,285	1,103,904	10,618
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	12,522,618	12,966,282	443,664	657,830	214,165	13,667,194	14,225,628	558,433	758,562	200,129
Corporate and government bonds	4,758,489	4,796,899	38,409	71,613	33,204	4,474,163	4,508,040	33,877	55,126	21,248
Domestic stocks	1,302,336	1,626,015	323,679	342,436	18,757	1,587,499	2,040,650	453,150	491,990	38,839
Foreign securities	4,658,641	4,748,683	90,041	237,280	147,238	4,835,101	4,923,090	87,989	202,126	114,137
Foreign corporate and government bonds	4,219,602	4,248,732	29,130	175,028	145,898	4,129,047	4,137,485	8,437	122,573	114,136
Foreign stocks and other securities	439,038	499,950	60,911	62,252	1,340	706,053	785,604	79,551	79,552	0
Other securities	1,428,000	1,417,122	(10,877)	4,086	14,964	2,176,523	2,157,777	(18,745)	7,158	25,903
Monetary claims bought	25,149	27,561	2,411	2,411	-	173,907	176,069	2,161	2,161	-
Negotiable certificates of deposit	350,000	350,000	-	-	-	420,000	420,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	65,481,834	73,182,386	7,700,552	8,012,218	311,665	62,833,580	70,603,976	7,770,395	8,022,723	252,327
Corporate and government bonds	57,619,705	64,911,866	7,292,160	7,422,865	130,704	53,542,548	60,786,228	7,243,680	7,317,126	73,446
Domestic stocks	1,302,336	1,626,015	323,679	342,436	18,757	1,587,499	2,040,650	453,150	491,990	38,839
Foreign securities	4,756,641	4,849,819	93,178	240,417	147,238	4,933,101	5,023,250	90,149	204,286	114,137
Foreign corporate and government bonds	4,317,602	4,349,869	32,266	178,164	145,898	4,227,047	4,237,645	10,597	124,733	114,136
Foreign stocks and other securities	439,038	499,950	60,911	62,252	1,340	706,053	785,604	79,551	79,552	0
Other securities	1,428,000	1,417,122	(10,877)	4,086	14,964	2,176,523	2,157,777	(18,745)	7,158	25,903
Monetary claims bought	25,149	27,561	2,411	2,411	-	173,907	176,069	2,161	2,161	-
Negotiable certificates of deposit	350,000	350,000	-	-	-	420,000	420,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥2,153,285 million with net unrealized gains of ¥516,484 million as of March 31, 2018 and ¥1,686,170 million with net unrealized gains of ¥380,716 million as of March 31, 2017.

○ Held-to-maturity bonds

(Millions of yen)

As of March 31	2017			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 39,154,981	¥ 45,304,923	¥ 6,149,942	¥ 37,606,569	¥ 43,766,825	¥ 6,160,256
Corporate and government bonds	39,056,981	45,203,787	6,146,805	37,508,569	43,666,665	6,158,096
Foreign securities	98,000	101,136	3,136	98,000	100,160	2,160
Other	-	-	-	-	-	-
Those for which fair value does not exceed the balance sheet amount	1,286,899	1,213,770	(73,129)	883,486	841,906	(41,579)
Corporate and government bonds	1,286,899	1,213,770	(73,129)	883,486	841,906	(41,579)
Foreign securities	-	-	-	-	-	-
Other	-	-	-	-	-	-

○ Policy-reserve-matching bonds

(Millions of yen)

As of March 31	2017			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 12,120,004	¥ 13,324,449	¥ 1,204,445	¥ 10,270,427	¥ 11,374,331	¥ 1,103,904
Corporate and government bonds	12,120,004	13,324,449	1,204,445	10,270,427	11,374,331	1,103,904
Foreign securities	-	-	-	-	-	-
Other	-	-	-	-	-	-
Those for which fair value does not exceed the balance sheet amount	397,330	372,960	(24,370)	405,902	395,284	(10,618)
Corporate and government bonds	397,330	372,960	(24,370)	405,902	395,284	(10,618)
Foreign securities	-	-	-	-	-	-
Other	-	-	-	-	-	-

○ Available-for-sale securities

(Millions of yen)

As of March 31	2017			2018		
	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference
Those for which the balance sheet amount exceeds book value	¥ 5,448,692	¥ 5,706,039	¥ 257,346	¥ 5,634,651	¥ 5,837,681	¥ 203,030
Corporate and government bonds	3,086,086	3,157,699	71,613	2,745,231	2,800,357	55,126
Domestic stocks	39,912	44,117	4,205	118,021	131,824	13,802
Foreign securities	1,697,544	1,872,573	175,028	2,048,490	2,173,272	124,782
Other securities	600,000	604,086	4,086	699,000	706,158	7,158
Monetary claims bought	25,149	27,561	2,411	23,907	26,069	2,161
Negotiable certificates of deposit	-	-	-	-	-	-
Other	-	-	-	-	-	-
Those for which the balance sheet amount does not exceed book value	5,387,754	5,193,356	(194,398)	5,879,257	5,718,176	(161,081)
Corporate and government bonds	1,672,403	1,639,199	(33,204)	1,728,931	1,707,683	(21,248)
Domestic stocks	10,294	9,963	(331)	62,363	58,835	(3,527)
Foreign securities	2,527,056	2,381,158	(145,898)	2,190,427	2,076,291	(114,136)
Other securities	828,000	813,035	(14,964)	1,327,534	1,305,365	(22,169)
Monetary claims bought	-	-	-	149,999	149,999	-
Negotiable certificates of deposit	350,000	350,000	-	420,000	420,000	-
Other	-	-	-	-	-	-

• The book values of securities for which the fair values are deemed extremely difficult to determine are as follows.

(Millions of yen)

As of March 31	2017	2018
Held-to-maturity bonds	¥ -	¥ -
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	984	1,479
Available-for-sale securities	4,239	61,625
Unlisted domestic stocks (excluding OTC traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	-	57,385
Total	5,223	63,105

Notes:

1. This table includes money held in trust other than trading securities (¥57,385 million as of March 31, 2018).
2. Net unrealized losses on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: ¥867 million as of March 31, 2018.

(2) Data on Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2017					2018				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Money held in trust	¥ 2,127,042	¥ 2,127,042	¥ -	¥ -	¥ -	¥ 2,755,347	¥ 2,755,347	¥ -	¥ -	¥ -

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018).

1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2017 and 2018.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Assets held-to-maturity in trust	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Assets held for reserves in trust	-	-	-	-	-	-	-	-	-	-
Other money held in trust	1,746,326	2,127,042	380,716	400,483	19,767	2,238,862	2,755,347	516,484	555,532	39,047
Domestic stock fund	1,306,142	1,625,946	319,804	338,231	18,426	1,456,654	1,899,530	442,876	478,188	35,312
Foreign stock fund	273,163	315,104	41,941	43,282	1,340	309,075	378,482	69,406	69,407	0
Foreign bond fund	167,020	185,990	18,970	18,970	-	473,131	477,334	4,202	7,936	3,734

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018).

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

1) Qualitative Information

(i) Detail of the transactions

The main derivative transactions used by the Company are as follows:

- Interest rate-related: Interest rate swaps
- Currency-related: Foreign exchange contracts

(ii) Policy for using derivative transactions

The Company uses derivative transactions for the purpose of hedging interest rate risk and foreign exchange fluctuation risk of our investment assets. The Company limits the use of derivative transactions to the purpose of hedging in principle and their use is not meant for speculative purposes.

(iii) Purposes of the use of derivative transactions

The main purposes of the use of derivative transactions for the Company are as follows:

- Interest rate swaps are used for converting floating interest rate loans of the Company into fixed interest rate loans.
- Foreign exchange contracts are used to determine the yen value of the foreign currency cash flows associated with the purchase, sale and redemption of foreign-currency-denominated assets, as well as for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

Of the above transactions, for the interest rate swaps used for converting floating interest rate loans into fixed interest rate loans, the Company applies the exceptional treatment and deferred hedge accounting for interest rate swaps, and applies fair value hedge accounting for the foreign exchange contracts used for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

(iv) Description of the risks

Derivative transactions used by the Company are exposed to market risk (risks due to fluctuations in interest rates and foreign exchange rates) and credit risk (risks of transaction partners' default, including bankruptcy).

The Company uses derivative transactions for the purpose, in principle, of hedging the risks of our investment assets, and therefore it believes that the market-related risk of derivative transactions is reduced and limited.

Meanwhile, as we select transaction partners with superior creditworthiness based on their

ratings and other factors, the credit risk of derivative transactions is believed to be limited. The Company conducts derivative transactions over the counter.

(v) Risk management framework

The Company has formulated the Basic Risk Management Policy, whereby the investment policies of derivative transactions are provided, limiting the use of derivative transactions to the purpose of hedging and prohibiting their use for speculative purposes.

In addition, we prevent risks by setting credit limits for each transaction partner selected on the basis of superior creditworthiness verified by their ratings and other factors.

The Risk Management Department is in place as an organizational unit responsible for comprehensively managing all types of risks, as part of an effort to reinforce our internal management system.

(vi) Additional notes about quantitative information

– Additional notes about credit risk
We calculate the credit risk amount associated with derivative transactions by using the current exposure method.

– Additional notes about the calculation of fair value

We calculate fair value on the following basis:

[Interest rate swaps]

Theoretical values are calculated by discounting the difference in future cash flows to present values based on the published market interest rate.

[Foreign exchange contracts]

Fair value is calculated using the forward foreign exchange rate as of the fiscal year-end date.

– Additional notes about net unrealized gains (losses)

We use derivative transactions as a means to hedge the market risk of our investment assets in principle, and there are no so-called transactions for trading purposes.

Profit or loss from derivative transactions and the hedged investments is recognized on a combined basis, whereby the effect of a reduction in interest rate risk and foreign exchange fluctuation risk has been verified.

2) Quantitative Information

(i) Breakdown of net unrealized gains (losses) (breakdown of portions with hedge accounting applied and not applied)

(Millions of yen)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
As of March 31, 2017	¥ 1,364	¥ (4,657)	¥ –	¥ –	¥ –	¥ (3,292)
Portion with hedge accounting applied	1,364	(4,657)	–	–	–	(3,292)
Portion with hedge accounting not applied	–	–	–	–	–	–
As of March 31, 2018	1,177	1,223	–	–	–	2,401
Portion with hedge accounting applied	1,177	1,222	–	–	–	2,400
Portion with hedge accounting not applied	–	1	–	–	–	1

Notes:

- Of the hedge accounting applied as of March 31, 2017, the portion with hedge accounting (the fair value hedge method) applied to the net loss (currency related ¥4,657 million) is accrued in the statement of income.
- Net unrealized gains on the portion subject to the fair value hedge method (currency related ¥1,222 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2018 are accrued in the statement of income.

Derivative transactions to which hedge accounting is not applied

(ii) Interest rate-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

(iii) Currency-related derivatives

(Millions of yen)

Category	Type of derivative	As of March 31, 2017			As of March 31, 2018		
		Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
			Due after 1 year			Due after 1 year	
OTC	Forward foreign exchange						
	Sold	¥ –	¥ –	¥ –	¥ 185	¥ –	¥ 1
	U.S. dollars	–	–	–	185	–	1
	Purchased	–	–	–	–	–	–
Total				–			1

Notes:

- Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
- Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

(vi) Others

There were no such outstanding balances as of March 31, 2017 and 2018.

Derivative transactions to which hedge accounting is applied

(ii) Interest rate-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2017			As of March 31, 2018		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Deferred hedge method	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	¥ 11,750	¥ 11,750	¥ 71	¥ 11,750	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	46,050	39,750	1,293	39,750	30,100	1,130
Total					1,364			1,177

Note: Fair value (current value) of interest rate swaps is represented by net unrealized gains (losses).

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2017	¥ 6,300	¥ 19,300	¥ 10,050	¥ 12,150	¥ 10,000	¥ –	¥ 57,800
Fixed receipt swap notional principal	6,300	19,300	10,050	12,150	10,000	–	57,800
Average fixed interest receipt	0.24	0.47	0.48	0.90	1.05	–	0.64
Average floating interest payment	0.02	0.08	0.09	0.16	0.14	–	0.10
Fixed payment swap notional principal	–	–	–	–	–	–	–
Average fixed interest payment	–	–	–	–	–	–	–
Average floating interest receipt	–	–	–	–	–	–	–
As of March 31, 2018	15,250	8,400	8,600	14,250	5,000	–	51,500
Fixed receipt swap notional principal	15,250	8,400	8,600	14,250	5,000	–	51,500
Average fixed interest receipt	0.46	0.52	0.61	0.92	1.12	–	0.69
Average floating interest payment	0.03	0.07	0.12	0.11	0.10	–	0.08
Fixed payment swap notional principal	–	–	–	–	–	–	–
Average fixed interest payment	–	–	–	–	–	–	–
Average floating interest receipt	–	–	–	–	–	–	–

(iii) Currency-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2017			As of March 31, 2018		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Fair value hedge accounting	Foreign exchange contracts	Available-for-sale securities						
	Sold		¥ 2,438,390	¥ –	¥ (4,657)	¥ 2,704,514	¥ –	¥ 1,222
	U.S. dollars		1,603,918	–	(5,630)	1,696,376	–	(3,992)
	Euros		834,472	–	973	657,080	–	3,116
	Australian dollars		–	–	–	224,994	–	1,794
	Others		–	–	–	126,062	–	304
	Purchased		–	–	–	–	–	
Total				(4,657)			1,222	

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

(vi) Others

There were no such outstanding balances as of March 31, 2017 and 2018.

5-7 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31	2017	2018
Core income	¥ 8,621,468	¥ 7,934,268
Insurance premiums and others	5,041,868	4,236,461
Investment income	1,270,423	1,207,597
Other ordinary income	2,309,176	2,490,208
Reversal of policy reserves	2,246,808	2,456,186
Core expenses	8,231,397	7,548,068
Insurance claims and others	7,550,323	6,890,020
Provision for policy reserves and others	25	7
Investment expenses	11,717	10,039
Operating expenses	560,206	532,843
Other ordinary expenses	109,124	115,158
Core profit	A 390,070	386,199
Capital gains	141,677	131,942
Gains on money held in trust	56,535	95,189
Gains on trading securities	–	–
Gains on sales of securities	85,142	36,468
Gains on derivative financial instruments	–	–
Gains on foreign exchanges	–	284
Other capital gains	–	–
Capital losses	192,860	151,046
Losses on money held in trust	–	–
Losses on trading securities	–	–
Losses on sales of securities	124,734	65,733
Losses on valuation of securities	–	–
Losses on derivative financial instruments	20,599	30,301
Losses on foreign exchanges	3,362	–
Other capital losses	44,163	55,010
Net capital gains (losses)	B (51,182)	(19,103)
Core profit including net capital gains (losses)	A+B 338,887	367,096
Other one-time gains	120,819	139,678
Reinsurance income	–	–
Reversal of contingency reserve	120,819	139,678
Reversal of specific reserve for possible loan losses	–	–
Other	–	–
Other one-time losses	180,359	197,929
Reinsurance premiums	–	–
Provision for contingency reserve	–	–
Provision for specific reserve for possible loan losses	–	–
Provision for reserve for specific foreign loans	–	–
Write-off of loans	–	–
Other	180,359	197,929
Other one-time profits (losses)	C (59,539)	(58,250)
Ordinary profit	A+B+C 279,347	308,845

Notes:

- “Investment income” and “investment expenses” exclude the amount regarding net capital gains (losses).
- “Reversal of policy reserves” excludes the amount regarding other one-time profits (reversal of contingency reserve) and includes the amount regarding other one-time losses (provision for contingency reserve and the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act).
- Amount equivalent to income gains associated with money held in trust (¥44,130 million for 2017 and ¥55,010 million for 2018) is recognized as “other capital losses” and included in “investment income.”
- Amount equivalent to income gains associated with derivative financial instruments (¥33 million for 2017) is recognized as “other capital losses” and included in “investment income.”
- “Other” in “other one-time losses” includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥180,359 million for 2017 and ¥197,929 million for 2018).

(Reference) Breakdown of Core Profit

(Millions of yen)

For the years ended March 31	2017	2018
Core profit	390,070	386,199
Spread (positive/negative spread)	78,581	65,875
Core profit attributable to life insurance activities	311,488	320,324

Spread (Positive/Negative Spread)

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. When the actual investment return is higher than the assumed return on insurance premium investments, there is a "positive spread." Conversely, a "negative spread" exists when the actual investment return is lower than the assumed return on insurance premium investments. For the year ended March 31, 2018, there was a positive spread of ¥65.8 billion.

The spread (positive/negative spread) is calculated according to the following formula:

$$\text{Positive spread} = [\text{investment return on core profit} - \text{average assumed rate of return}] \times \text{general account policy reserves}$$

[¥65.8 billion]
[1.81%]
[1.71%]
[¥66,226.2 billion]

- Investment return on core profit is the return on general account policy reserves after deducting the provision for interest on policyholder dividends from the general account investment revenue included in core profit.
- Average assumed rate of return is the return of assumed interest on general account policy reserves.
- General account policy reserves are calculated as follows for policy reserves in the general account, excluding contingency reserve:
 (Policy reserves at beginning of period + policy reserves at end of period – assumed interest) × 1/2
- Policy reserves and assumed interest are calculated based on the actual cumulative amount.