

# Financial Section

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# Consolidated Balance Sheets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>ASSETS:</b>			
Cash and deposits (Notes 3, 4, and 7)	¥ 481,381	¥ 240,038	\$ 4,272
Call loans (Note 3)	90,000	368,000	798
Monetary claims bought (Note 4)	223,659	229,523	1,984
Securities (Notes 4, 5, 6, 7, and 8)	30,624,492	29,256,897	271,782
Loans (Notes 4, 7, 9, and 10)	5,634,123	5,076,391	50,001
Tangible fixed assets (Notes 11, 12, and 13)			
Land	617,463	621,684	5,479
Buildings	306,647	301,346	2,721
Leased assets	87	—	0
Construction in progress	1,667	6,045	14
Other tangible fixed assets	4,728	3,454	41
Subtotal	930,595	932,531	8,258
Intangible fixed assets			
Software	50,821	37,788	451
Goodwill (Note 26)	158,679	—	1,408
Other intangible fixed assets	317,643	26,394	2,818
Subtotal	527,144	64,183	4,678
Due from agents	1,831	1,647	16
Reinsurance receivables	115,877	675	1,028
Other assets	480,002	317,794	4,259
Net defined benefit assets (Note 14)	37,298	74,345	331
Deferred tax assets (Note 15)	2,485	1,779	22
Customers' liabilities under acceptances and guarantees	20,854	20,848	185
Allowance for possible loan losses	(5,457)	(5,034)	(48)
<b>Total assets</b>	<b>¥39,164,289</b>	<b>¥36,579,624</b>	<b>\$347,570</b>
<b>LIABILITIES:</b>			
Policy reserves and other reserves			
Reserve for outstanding claims	¥ 707,333	¥ 114,465	\$ 6,277
Policy reserves	32,842,168	30,225,061	291,464
Policyholders' dividend reserves (Note 16)	240,902	253,414	2,137
Subtotal	33,790,403	30,592,941	299,879
Due to agents	2,835	9	25
Reinsurance payables	832	804	7
Bonds payable	293,445	—	2,604
Other liabilities	478,051	700,186	4,242
Net defined benefit liabilities (Note 14)	12,447	1,084	110
Accrued retirement benefits for directors and executive officers (Note 19)	82	92	0
Reserve for contingent liabilities (Note 20)	1	2	0
Reserve for price fluctuation	522,116	492,907	4,633
Deferred tax liabilities (Note 15)	329,406	504,535	2,923
Deferred tax liabilities for land revaluation	82,137	85,877	728
Acceptances and guarantees	20,854	20,848	185
<b>Total liabilities</b>	<b>35,532,618</b>	<b>32,399,288</b>	<b>315,340</b>
<b>NET ASSETS:</b>			
Foundation funds (Note 21)	260,000	260,000	2,307
Reserve for redemption of foundation funds (Note 21)	470,000	470,000	4,171
Reserve for revaluation	452	452	4
Surplus	506,083	472,533	4,491
<b>Total funds, reserve and surplus</b>	<b>1,236,536</b>	<b>1,202,986</b>	<b>10,973</b>
Net unrealized gains on available-for-sale securities	2,291,022	2,838,597	20,332
Deferred unrealized gains on derivatives under hedge accounting	38,659	15,456	343
Land revaluation differences	119,894	118,988	1,064
Foreign currency translation adjustments	(26,190)	22,894	(232)
Remeasurements of defined benefit plans	(32,200)	(22,862)	(285)
<b>Total accumulated other comprehensive income</b>	<b>2,391,186</b>	<b>2,973,074</b>	<b>21,221</b>
Non-controlling interests	3,947	4,274	35
<b>Total net assets</b>	<b>3,631,671</b>	<b>4,180,335</b>	<b>32,229</b>
<b>Total liabilities and net assets</b>	<b>¥39,164,289</b>	<b>¥36,579,624</b>	<b>\$347,570</b>

# Consolidated Statements of Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>ORDINARY INCOME:</b>			
<b>Insurance premiums and other</b>	¥3,381,621	¥3,431,497	\$30,010
<b>Investment income</b>			
Interest, dividends and other income	690,493	698,484	6,127
Gains on money held in trust	0	0	0
Gains on sales of securities	8,505	186,293	75
Gains on redemption of securities	88,701	58,075	787
Foreign exchange gains	154	—	1
Reversal of allowance for possible loan losses	—	2,875	—
Other investment income	892	899	7
Investment gains on separate accounts	—	83,806	—
<b>Subtotal</b>	788,747	1,030,435	6,999
<b>Other ordinary income</b>	106,171	137,909	942
<b>Total ordinary income</b>	4,276,540	4,599,843	37,952
<b>ORDINARY EXPENSES:</b>			
<b>Benefits and other payments</b>			
Claims paid	569,516	642,721	5,054
Annuity payments	696,036	849,963	6,177
Benefit payments	412,172	430,363	3,657
Surrender benefits	455,478	453,264	4,042
Other refunds	178,963	231,236	1,588
<b>Subtotal</b>	2,312,168	2,607,548	20,519
<b>Provision for policy reserves and other reserves</b>			
Provision for reserve for outstanding claims	1,866	—	16
Provision for policy reserves	898,470	955,304	7,973
Provision for interest on policyholders' dividend reserves (Note 16)	251	461	2
<b>Subtotal</b>	900,587	955,765	7,992
<b>Investment expenses</b>			
Interest expenses	6,288	3,368	55
Losses on sales of securities	1,967	365	17
Losses on valuation of securities	12,791	300	113
Losses on redemption of securities	37	—	0
Losses on derivative financial instruments	107,329	71,082	952
Foreign exchange losses	—	144	—
Provision for allowance for possible loan losses	664	—	5
Depreciation of real estate for non-insurance business	9,732	9,737	86
Other investment expenses	14,320	12,982	127
Investment losses on separate accounts	28,956	—	256
<b>Subtotal</b>	182,088	97,982	1,615
<b>Operating expenses (Note 23)</b>	372,229	361,559	3,303
<b>Other ordinary expenses</b>	210,360	190,519	1,866
<b>Total ordinary expenses</b>	3,977,433	4,213,375	35,298
<b>Ordinary profit</b>	299,107	386,468	2,654
<b>Extraordinary gains</b>			
Gains on disposals of fixed assets	2,614	5,965	23
Reversal of reserve for contingent liabilities	0	12	0
<b>Subtotal</b>	2,615	5,978	23
<b>Extraordinary losses</b>			
Losses on disposals of fixed assets	6,589	5,582	58
Impairment losses (Note 13)	3,807	6,344	33
Provision for reserve for price fluctuation	29,209	11,562	259
Losses on reduction entry of real estate	—	2,413	—
Contributions for promotion of social welfare project	553	552	4
Other extraordinary losses	—	1,678	—
<b>Subtotal</b>	40,160	28,133	356
<b>Surplus before income taxes and non-controlling interests</b>	261,561	364,312	2,321
<b>Income taxes (Note 15)</b>			
Current	54,641	119,746	484
Deferred	(7,706)	(21,181)	(68)
<b>Total income taxes</b>	46,934	98,564	416
<b>Net surplus</b>	214,627	265,747	1,904
<b>Net surplus attributable to non-controlling interests</b>	528	344	4
<b>Net surplus attributable to the Parent Company</b>	¥ 214,099	¥ 265,402	\$ 1,900

# Consolidated Statements of Comprehensive Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen		Millions of
	2016	2015	2016
<b>Net surplus</b>	<b>¥ 214,627</b>	<b>¥ 265,747</b>	<b>\$ 1,904</b>
<b>Other comprehensive income (loss) (Note 25)</b>	<b>(580,454)</b>	<b>1,178,038</b>	<b>(5,151)</b>
Net unrealized gains (losses) on available-for-sale securities	(546,805)	1,097,249	(4,852)
Deferred unrealized gains (losses) on derivatives under hedge accounting	23,203	14,511	205
Land revaluation differences	2,506	5,884	22
Foreign currency translation adjustments	(36,574)	5,827	(324)
Remeasurements of defined benefit plans	(9,501)	43,135	(84)
Share of other comprehensive income (loss) of associates accounted for under the equity method	(13,283)	11,430	(117)
<b>Comprehensive income (loss)</b>	<b>¥(365,827)</b>	<b>¥1,443,786</b>	<b>\$(3,246)</b>
Comprehensive income (loss) attributable to the Parent Company	(366,188)	1,443,499	(3,249)
Comprehensive income (loss) attributable to non-controlling interests	361	286	3

# Consolidated Statements of Cash Flows

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>I Cash flows from operating activities</b>			
Surplus before income taxes and non-controlling interests	¥ 261,561	¥ 364,312	\$ 2,321
Depreciation of real estate for non-insurance business	9,732	9,737	86
Depreciation	21,647	20,913	192
Impairment losses	3,807	6,344	33
Increase (Decrease) in reserve for outstanding claims	1,944	(5,715)	17
Increase (Decrease) in policy reserves	898,283	955,329	7,971
Provision for interest on policyholders' dividend reserves	251	461	2
Increase (Decrease) in allowance for possible loan losses	423	(3,101)	3
Increase (Decrease) in net defined benefit liabilities	67	20	0
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(9)	(90)	(0)
Increase (Decrease) in reserve for contingent liabilities	(0)	(12)	(0)
Increase (Decrease) in reserve for price fluctuation	29,209	11,562	259
Interest, dividends, and other income	(690,493)	(698,484)	(6,127)
Losses (Gains) on securities	168,606	(529,202)	1,496
Interest expenses	6,288	3,368	55
Foreign exchange losses (gains)	29	94	0
Losses (Gains) on tangible fixed assets	3,523	2,032	31
Investment losses (gains) on equity method	(1,920)	(2,005)	(17)
Decrease (Increase) in due from agents	49	(3)	0
Decrease (Increase) in reinsurance receivables	(173)	2,227	(1)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	(89,689)	(41,561)	(795)
Increase (Decrease) in due to agents	8	(8)	0
Increase (Decrease) in reinsurance payables	28	(2,225)	0
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	(53,926)	79,426	(478)
Others, net	24,571	(3,889)	218
<b>Subtotal</b>	<b>593,820</b>	<b>169,530</b>	<b>5,269</b>
Interest, dividends, and other income received	738,937	740,485	6,557
Interest paid	(3,283)	(3,328)	(29)
Policyholders' dividends paid	(192,857)	(175,209)	(1,711)
Income taxes paid	(123,357)	(150,147)	(1,094)
<b>Net cash provided by operating activities</b>	<b>1,013,259</b>	<b>581,329</b>	<b>8,992</b>
<b>II Cash flows from investing activities</b>			
Net decrease (increase) in deposits	(9,985)	(5,427)	(88)
Purchase of monetary claims bought	(19,800)	(21,500)	(175)
Proceeds from sales and redemption of monetary claims bought	26,155	25,777	232
Purchase of securities	(2,485,561)	(3,365,610)	(22,058)
Proceeds from sales and redemption of securities	1,762,429	3,295,992	15,641
Loans extended	(1,009,828)	(1,061,804)	(8,961)
Proceeds from collection of loans	1,110,671	1,145,247	9,856
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	(113,710)	(447,111)	(1,009)
<b>Total investment activities (IIa)</b>	<b>(739,629)</b>	<b>(434,434)</b>	<b>(6,563)</b>
<b>[I + IIa]</b>	<b>273,630</b>	<b>146,895</b>	<b>2,428</b>
Purchase of tangible fixed assets	(11,852)	(15,281)	(105)
Proceeds from sales of tangible fixed assets	15,702	11,764	139
Purchase of intangible fixed assets	(22,397)	(18,509)	(198)
Acquisition of stock of subsidiaries with change in scope of consolidation (Note 26)	(531,629)	—	(4,718)
Others, net	(2,627)	(1,249)	(23)
<b>Net cash used in investing activities</b>	<b>(1,292,434)</b>	<b>(457,710)</b>	<b>(11,469)</b>
<b>III Cash flows from financing activities</b>			
Proceeds from debt	150	663	1
Repayments of debt	(150)	(891)	(1)
Proceeds from issuance of bonds payable	235,514	—	2,090
Proceeds from issuance of foundation funds	—	60,000	—
Redemption of foundation funds	—	(60,000)	—
Payment of interest on foundation funds	(2,101)	(2,572)	(18)
Acquisition of stock of subsidiaries without change in scope of consolidation	(395)	—	(3)
Others, net	(294)	(255)	(2)
<b>Net cash provided by (used in) financing activities</b>	<b>232,722</b>	<b>(3,056)</b>	<b>2,065</b>
<b>IV Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(45)</b>	<b>2,196</b>	<b>(0)</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>(46,497)</b>	<b>122,759</b>	<b>(412)</b>
<b>VI Cash and cash equivalents at the beginning of the year</b>	<b>579,044</b>	<b>456,284</b>	<b>5,138</b>
<b>VII Cash and cash equivalents at the end of the year (Note 3)</b>	<b>¥ 532,547</b>	<b>¥ 579,044</b>	<b>\$ 4,726</b>

# Consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2015

(Millions of Yen)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)								Total net assets
	Foundation funds (Note 21)	Reserve for redemption of foundation funds (Note 21)	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests		
Beginning balance	¥260,000	¥410,000	¥452	¥432,095	¥1,102,548	¥1,739,783	¥ 944	¥106,051	¥ 7,207	¥(66,062)	¥1,787,925	¥4,243	¥2,894,717	
Cumulative effects of changes in accounting policies				2,752	2,752								2,752	
Beginning balance after reflecting accounting policy changes	260,000	410,000	452	434,848	1,105,301	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,897,470	
Changes in the fiscal year														
Issuance of foundation funds	60,000				60,000								60,000	
Additions to policyholders' dividend reserves (Note 16)				(158,094)	(158,094)								(158,094)	
Additions to reserve for redemption of foundation funds		60,000			60,000								60,000	
Payment of interest on foundation funds				(2,572)	(2,572)								(2,572)	
Net surplus attributable to the Parent Company				265,402	265,402								265,402	
Redemption of foundation funds	(60,000)				(60,000)								(60,000)	
Reversal of reserve for fund redemption				(60,000)	(60,000)								(60,000)	
Reversal of land revaluation differences				(7,051)	(7,051)								(7,051)	
Net changes, excluding funds, reserves and surplus						1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,185,179	
Net changes in the fiscal year	—	60,000	—	37,684	97,684	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,282,864	
Ending balance	¥260,000	¥470,000	¥452	¥472,533	¥1,202,986	¥2,838,597	¥15,456	¥118,988	¥22,894	¥(22,862)	¥2,973,074	¥4,274	¥4,180,335	

Year ended March 31, 2016

(Millions of Yen)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)								Total net assets
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests		
Beginning balance	¥260,000	¥470,000	¥452	¥472,533	¥1,202,986	¥2,838,597	¥15,456	¥118,988	¥ 22,894	¥(22,862)	¥2,973,074	¥4,274	¥4,180,335	
Changes in the fiscal year														
Additions to policyholders' dividend reserves (Note 16)				(180,044)	(180,044)								(180,044)	
Payment of interest on foundation funds				(2,101)	(2,101)								(2,101)	
Net surplus attributable to the Parent Company				214,099	214,099								214,099	
Reversal of land revaluation differences				1,599	1,599								1,599	
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(2)	(2)								(2)	
Net changes, excluding funds, reserves and surplus						(547,575)	23,203	906	(49,084)	(9,337)	(581,887)	(326)	(582,214)	
Net changes in the fiscal year	—	—	—	33,550	33,550	(547,575)	23,203	906	(49,084)	(9,337)	(581,887)	(326)	(548,664)	
Ending balance	¥260,000	¥470,000	¥452	¥506,083	¥1,236,536	¥2,291,022	¥38,659	¥119,894	¥(26,190)	¥(32,200)	¥2,391,186	¥3,947	¥3,631,671	

# Consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2016

(Millions of U.S. Dollars)

	Funds, reserves and surplus				Accumulated other comprehensive income (loss)								Total net assets
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency transition adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non controlling interests	
Beginning balance	\$2,307	\$4,171	\$4	\$4,193	\$10,676	\$25,191	\$137	\$1,055	\$ 203	\$(202)	\$26,385	\$37	\$37,099
Changes in the fiscal year													
Additions to policyholders' dividend reserves (Note 16)				(1,597)	(1,597)								(1,597)
Payment of interest on foundation funds				(18)	(18)								(18)
Net surplus attributable to the Parent Company				1,900	1,900								1,900
Reversal of land revaluation differences				14	14								14
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(0)	(0)								(0)
Net changes, excluding funds, reserves and surplus						(4,859)	205	8	(435)	(82)	(5,164)	(2)	(5,166)
Net changes in the fiscal year	—	—	—	297	297	(4,859)	205	8	(435)	(82)	(5,164)	(2)	(4,869)
Ending balance	\$2,307	\$4,171	\$4	\$4,491	\$10,973	\$20,332	\$343	\$1,064	\$(232)	\$(285)	\$21,221	\$35	\$32,229

# Notes to the Consolidated Financial Statements

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

## 1. Basis of Presentation

MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese “Insurance Business Act” and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles in the respective countries of domicile. In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at March 31, 2016, which was ¥112.68 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Principles of consolidation

#### a. Consolidated subsidiaries

The numbers of consolidated subsidiaries were 7 and 17 as of March 31, 2015 and 2016, respectively. The consolidated subsidiaries as of March 31, 2016 include as follows:

Meiji Yasuda General Insurance Co., Ltd. (Japan)  
Meiji Yasuda Asset Management Company Ltd. (Japan)  
Meiji Yasuda System Technology Company Limited (Japan)  
Pacific Guardian Life Insurance Company, Limited (U.S.A.)  
StanCorp Financial Group, Inc. (U.S.A.)  
Meiji Yasuda Realty USA Incorporated (U.S.A.)

StanCorp Financial Group, Inc. and its nine subsidiaries have been included in consolidation from the year ended March 31, 2016.

The subsidiaries excluded from consolidation include subsidiaries such as Meiji Yasuda Life Planning Center Company, Limited.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the years ended March 31, 2015 and 2016 are immaterial. This exclusion from consolidation would not prevent a reasonable understanding of the consolidated financial position of the Company and its subsidiaries and the results of their operations.

#### b. Affiliates

The numbers of affiliates accounted for by the equity method were 12 and 12 as of March 31, 2015 and 2016, respectively. The affiliates accounted for by the equity method as of March 31, 2016 include as follows:

Founder Meiji Yasuda Life Insurance Co., Ltd. (China)  
PT Avrist Assurance (Indonesia)  
TU Europa S.A. (Poland)

TUIR Warta S.A. (Poland)

Thai Life Insurance Public Company Limited (Thailand)

One affiliate of StanCorp Financial Group, Inc. and one affiliate of Thai Life Insurance Public Company Limited have been included as affiliates from the year ended March 31, 2016.

Two affiliates of TU Europa S.A. have been excluded from the scope of the equity method as of March 31, 2016, due to their decreased importance.

The subsidiaries not consolidated, e.g., Meiji Yasuda Life Planning Center Company, Limited and others, and certain affiliates are excluded from the scope of the equity method due to their immaterial effect, individually and in aggregate, on the consolidated net income and consolidated surplus.

#### c. Fiscal year-end of consolidated subsidiaries

The fiscal year-ends of consolidated overseas subsidiaries and affiliates are December 31. The consolidated financial statements include the accounts of such subsidiaries and affiliates as of their fiscal year-ends, with appropriate adjustments made for material transactions occurring between their respective fiscal year-ends and the date of the consolidated financial statements. However, for certain overseas consolidated subsidiaries, financial statements as of March 7 (U.S. local time), the date of business combination, is used to prepare the consolidated financial statements.

#### d. Valuation of assets and liabilities of consolidated subsidiaries and affiliates

The Company applies the fair value method.

#### e. Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on the straight-line basis over 20 years. However, immaterial amounts of goodwill are fully recognized as expenses as incurred.

f. All the significant intercompany balances and transactions are eliminated in consolidation. In addition, all the material unrealized gains/losses included in assets/liabilities resulting from intercompany transactions are also eliminated.

### (2) Cash and cash equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

### (3) Securities

Securities held by the Company are classified and accounted for as follows:

a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

b. Held-to-maturity debt securities are stated at amortized cost using the moving average method and the amortization is calculated using the straight-line method.

c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” (Japanese Institute of Certified Public Accountants (JICPA), issued on November 16, 2000). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.



d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the "Insurance Business Act" and Article 13-5-2, Paragraph 3 of the "Order for Enforcement of the Insurance Business Act." The affiliates are under Paragraph 4 of the order.

e. Available-for-sale securities

i) Securities of which market value is readily available

Stocks are stated at the average of the market value during the final month of the fiscal year. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

ii) Securities of which market value is extremely difficult to determine

Bonds (including foreign bonds) of which premium or discount are regarded as interest rate adjustment are stated at amortized cost using the moving average method. The amortization is calculated using the straight-line method. Other securities are stated at cost using the moving average method.

iii) Unrealized gains and losses on available-for-sale securities are reported as a component of net assets in the consolidated balance sheets.

#### (4) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (JICPA, issued on November 16, 2000).

#### (5) Derivative transactions

Derivative transactions are stated at fair value.

#### (6) Method of hedge accounting

Methods of hedge accounting of the Company are in accordance with the "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008). These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable and payable;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

#### (7) Tangible fixed assets

Tangible fixed assets (excluding leased assets) owned by the Company are depreciated as follows:

a. Buildings

Calculated using the straight-line method.

b. Other tangible fixed assets

Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years

Tangible fixed assets owned by the Company's overseas consolidated subsidiaries are depreciated by mainly using the straight-line method.

Leased assets related to finance leases that do not transfer ownership to the lessees are depreciated by using the straight-line method, with the lease period being considered as useful lives of assets and residual value being set at zero.

#### Revaluation of land

The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as permitted by the "Act on Revaluation of Land".

The difference in value before and after revaluation is directly included in net assets in the consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the "Order for Enforcement of the Act on Revaluation of Land") for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

#### (8) Intangible fixed assets

Capitalized software for internal use owned by the Company and subsidiaries (included in intangible fixed assets in the consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years). Intangible fixed assets owned by certain overseas consolidated subsidiaries are amortized based on the each country's accounting standard, such as U.S. GAAP.

#### (9) Allowance for possible loan losses

Allowance for possible loan losses of the Company is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, "substantially bankrupt borrowers"), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collaterals and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, "borrowers with high possibility of bankruptcy"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collaterals and by executing guarantees.

For 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 by the department concerned based on the Company's standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collaterals to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the years ended March 31, 2015 and 2016 amounted to ¥50 million and ¥46 million (U.S. \$0 million), respectively.

#### **(10) Policy reserves**

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 method:

- a. For contracts that are subject to the standard policy reserve requirements, the premium reserves are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).
- b. For contracts that are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

The policy reserves of the Company include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act". The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts.

The policy reserves also include reserves which are additionally set aside for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance.

Policy reserves of certain overseas consolidated subsidiaries are calculated based on the each country's accounting standard, such as U.S. GAAP.

#### **(11) Net defined benefit liabilities and assets**

Net defined benefit liabilities and assets are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

#### **(12) Reserve for price fluctuation**

Reserve for price fluctuation of the Company and the domestic consolidated insurance subsidiary is calculated pursuant to Article 115 of the "Insurance Business Act".

#### **(13) Revenue recognition**

Insurance premiums of the Company are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenue. Unearned insurance premiums are recognized as policy reserves.

Insurance premiums of certain overseas consolidated subsidiaries are recognized based on the each country's accounting standard, such as U.S. GAAP.

#### **(14) Policy acquisition costs**

Policy acquisition costs of the Company are expensed when incurred.

Policy acquisition costs of certain overseas consolidated subsidiaries are calculated based on the each country's accounting standard, such as U.S. GAAP.

#### **(15) Accounting for consumption taxes**

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the "Corporation Tax Act".

#### **(16) Foreign currency translation**

Assets and liabilities denominated in foreign currencies, except for equity securities issued by unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition. Assets, liabilities, revenues and expenses of the Company's overseas consolidated subsidiaries are translated into Japanese yen at the exchange rate at the end of their fiscal year, and translation adjustments are included in "foreign currency translation adjustments" in the net assets section of the consolidated balance sheets.

#### **(17) New accounting standards**

a. Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) have been applied from the beginning of the year ended March 31, 2015. Accordingly, from the beginning of the year ended March 31, 2015, the Company changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis.

The amount of the effect of the change in the method of calculation of retirement benefit obligations and service costs was included in surplus in the consolidated balance sheet at the beginning of the year ended March 31, 2015 in accordance with the transitional treatment set out in Paragraph 37 of the standard.

As a result, surplus at the beginning of the period increased by ¥2,752 million and, as well, ordinary profit and surplus before income

taxes and non-controlling interests decreased by ¥806 million for the year ended March 31, 2015.

b. "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereafter the "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereafter the "Consolidation Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereafter the "Business Divestitures Accounting Standard") have been applied from the beginning of the year ended March 31, 2016. Accordingly, the accounting method has been changed that the difference associated with changes in equity in subsidiaries remaining under the control of the Company is recorded as surplus, and acquisition-related costs are recorded as expenses for the period in which the costs are incurred. For business combinations implemented on or after the beginning of the year ended March 31, 2016, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the year containing the date of the business combinations. In addition, the presentation method of net surplus was changed as well as the name was changed from "minority interests" to "non-controlling interests".

In the consolidated statements of cash flows for the year ended March 31, 2016, cash flows from the acquisition or sales of stock of subsidiaries without changes in scope of consolidation is stated in cash flows from financing activities. Cash flows related to the cost of acquisition of stock of subsidiaries with changes in scope of consolidation or cost of the acquisition or sales of stock of subsidiaries without changes in scope of consolidation is stated in cash flows from operating activities.

With respect to application of the Accounting Standards regarding business combinations, the transitional treatments as prescribed in Article 58-2(4) of the Business Combinations Accounting Standard, Article 44-5(4) of the Consolidation Accounting Standard and Article 57-4(4) of the Business Divestitures Accounting Standard have been applied prospectively on and after the beginning of the year ended March 31, 2016.

As a result, ordinary profit and surplus before income taxes and non-controlling interests decreased by ¥3,256 million (U.S. \$28 million) for the year ended March 31, 2016 and, as well, surplus at the end of the year decreased by ¥3,259 million (U.S. \$28 million).

The previous year's presentation has been revised to conform to the current year's presentation.

### 3. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2015 and 2016 were as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Cash and deposits	¥442,303	¥210,945	\$3,925
Call loans	90,000	368,000	798
Securities	243	99	2
Cash and cash equivalents	¥532,547	¥579,044	\$4,726

## 4. Financial Instruments

### (1) Qualitative information on financial instruments

The Company develops the asset and liability management based on surplus, and it monitors a surplus derived from the difference between the economic values of assets and liabilities as a measure of financial soundness, in order to manage its investment assets (excluding the assets of the separate account prescribed in Article 118, Paragraph 1 of the "Insurance Business Act").

Based on this risk management, the Company mainly invests in securities and loans. Securities held primarily consist of bonds, stocks and investment trusts. Loans primarily consist of loans to domestic corporate borrowers. Securities held by certain overseas consolidated subsidiaries primarily consist of bonds, and loans primarily consist of loans to overseas borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk, insurance liability risk and bonds payable risk.

Methods of hedge accounting are in accordance with the "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008). These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities held by the Company and certain overseas consolidated subsidiaries are exposed to market risk (interest rate fluctuation risk, exchange rate fluctuation risk and price fluctuation risk) and credit risk. Loans are exposed to credit risk and interest rate fluctuation risk. Derivative transactions are exposed to market risk and credit risk.

Some of the loans payable and bonds payable of the Company and certain overseas consolidated subsidiaries which are floating interest rate-based and denominated in foreign currencies are exposed to interest rate fluctuation risk and exchange rate fluctuation risk.

With regard to the interest rate fluctuation risk management, the Company manages the fluctuation risk on the basis of economic values from a surplus management perspective, by purchasing super long-term bonds to keep asset duration stable and using interest rate swaps for the interest rate risk hedge against insurance liabilities.

To manage the exchange rate fluctuation risk, the Company hedges against exchange rate fluctuation using forward exchange contracts where necessary for appropriate controls of exchange rate fluctuation risk.

To manage the price fluctuation risk, the Company performs integrated management for outstanding balances and the profit and loss situation of securities and derivative transactions and also monitors loss limits to minimize unexpected losses.

In addition to the Value at Risk (VaR) method to measure the maximum expected loss, the Company performs stress tests periodically to simulate conditions that might arise in the event of sharp market fluctuations that exceed normal forecasts.

The profit and loss status and compliance with these procedures are monitored by the investment risk management department, reported regularly (or immediately in urgent cases) to the small-committee of investment risk management and, on important matters, reported directly to the Board of Directors and Committees.

To manage credit risk, the Company carefully identifies risks in each transaction and limits investments to those that are assessed to be of high quality.

Where credit risk assessment is particularly important regarding corporate loans, the credit risk management department ensures that a rigorous screening system is in place, and monitors borrowers and internal credit rating using corporate screening methods. The Company follows careful discussions by the Investment Committee (Management Committee) to make decisions on highly important deals.

## (2) Fair values of financial instruments

The amounts of the principal financial assets and liabilities reported in the consolidated balance sheets at the end of the fiscal year, and fair values and the differences between them, were as follows:

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 481,381	¥ 481,381	¥ —	¥ 240,038	¥ 240,038	¥ —	\$ 4,272	\$ 4,272	\$ —
Available-for-sale securities (CDs)	23,998	23,998	—	6,000	6,000	—	212	212	—
Monetary claims bought	223,659	241,204	17,545	229,523	241,833	12,309	1,984	2,140	155
Held-to-maturity debt securities	195,380	212,925	17,545	200,223	212,532	12,309	1,733	1,889	155
Available-for-sale securities	28,278	28,278	—	29,300	29,300	—	250	250	—
Securities	29,864,488	32,493,864	2,629,375	28,377,942	29,665,018	1,287,075	265,038	288,372	23,334
Trading securities	1,526,261	1,526,261	—	808,800	808,800	—	13,545	13,545	—
Held-to-maturity debt securities	4,680,863	5,654,681	973,818	5,066,536	5,702,545	636,008	41,541	50,183	8,642
Policy-reserve-matching bonds	7,162,085	8,817,642	1,655,556	6,820,691	7,471,758	651,066	63,561	78,253	14,692
Available-for-sale securities	16,495,277	16,495,277	—	15,681,913	15,681,913	—	146,390	146,390	—
Loans	5,634,123	5,963,967	329,844	5,076,391	5,357,002	280,610	50,001	52,928	2,927
Policy loans	278,719	278,719	—	293,365	293,365	—	2,473	2,473	—
Industrial and consumer loans	5,355,403	5,685,247	329,844	4,783,026	5,063,637	280,610	47,527	50,454	2,927
Allowance for possible loan losses <sup>(1)</sup>	(3,955)	—	—	(3,066)	—	—	(35)	—	—
	5,630,168	5,963,967	333,799	5,073,325	5,357,002	283,677	49,965	52,928	2,962
Bonds payable	293,445	325,435	31,990	—	—	—	2,604	2,888	283
Payables under securities borrowing transactions	—	—	—	220,000	220,000	—	—	—	—
Loans payable	100,000	100,000	—	100,000	100,000	—	887	887	—
Derivative financial instruments <sup>(2)</sup>	143,564	143,564	—	(44,171)	(44,171)	—	1,274	1,274	—
Hedge accounting is not applied	492	492	—	(27)	(27)	—	4	4	—
Hedge accounting is applied	143,071	143,071	—	(44,143)	(44,143)	—	1,269	1,269	—

(\*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.

(\*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

a. Method used to determine the fair value of financial instruments

i) Assets

### Cash and deposits

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts. Fair value of deposits deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated in the same method shown in "Securities."

Further, the Company sets exposure limits based on counterparties' creditworthiness to ensure that risk is not concentrated among certain companies or groups, and diversifies investments.

With regard to derivative transactions, the Company limits risk by setting up policies and establishing limits by the type of transaction and by each counterparty. At the same time, a system of internal checks is in place by segregating the departments executing the transactions from the administrative departments to ensure risk management is on an appropriate footing.

The fair value of financial instruments is based on the market price or, in cases where market price is not available, based on prices calculated using reasonable methods in the Company and subsidiaries.

Since certain assumptions are adopted for the price calculations, the prices calculated may differ when different assumptions are used.

### Monetary claims bought

Fair value of monetary claims bought deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated using the same method shown in "Securities" and the fair value of these monetary claims bought is stated at theoretical prices calculated by discounting the future cash flows to the present value or at the fair value obtained from counterparties at the balance sheet date.

## Securities

As for available-for-sale securities, domestic stocks of which market value is readily available are stated at the average of the market value during the final month of the fiscal year. Other securities are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because these are regarded as extremely difficult to determine fair value. The amounts of the unlisted stocks and others reported in the consolidated balance sheets were ¥878,954 million and ¥760,003 million (U.S. \$6,744 million) as of March 31, 2015 and 2016, respectively. Impairment losses on the unlisted stocks and others were ¥254 million and ¥98 million (U.S. \$0 million) for the years ended March 31, 2015 and 2016, respectively.

## Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest condition.

As for industrial and consumer loans, their fair value of these loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans of the Company to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts arrived at by deducting estimated losses from the book value before direct write-off.

## ii) Liabilities

### Bonds payable

The fair value of bonds payable is stated at the market price at the balance sheet date, or based on data provided by pricing vendors.

### Payables under securities borrowing transactions

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts.

### Loans payable

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value since loans are made at floating interest rates that reflect market interest rates timely, and since the Company's credit standing has not changed significantly after borrowing.

## iii) Derivative financial instruments

### Listed transactions

The fair value of listed transactions, such as stock index futures and bond futures, is stated at the closing or settlement prices at the balance sheet date.

### OTC transactions

The fair value of Over-the-Counter (OTC) transactions, such as foreign exchange contracts, is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, or fair value obtained from counterparties at the balance sheet date.

Since OTC transactions of currency swaps contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans and bonds payable, their fair value is included in the fair value of hedged loans and bonds payable in the table above.

### Interest rate swap transactions

The fair value of interest rate swap transactions is stated at theoretical prices calculated by discounting the net future cash flows to the present value, or fair value obtained from counterparties at the balance sheet date.

Since interest rate swaps subject to the special hedge accounting are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

## b. Securities by holding purpose

### Trading securities

The unrealized valuation gains (losses) on trading securities included in profits (losses) for the fiscal year amounted to ¥25,474 million and ¥(59,656) million (U.S. \$(529) million) for the years ended March 31, 2015 and 2016, respectively.

### Held-to-maturity debt securities

No held-to-maturity debt securities were sold during the year ended March 31, 2015, and disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million (U.S. \$41 million) resulting in total losses on sales of ¥350 million (U.S. \$3 million) for the year ended March 31, 2016. The amounts reported in the consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the fiscal year, and the differences between them, were shown in the following table.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount									
1) National & local government bonds	¥3,907,176	¥4,778,510	¥871,334	¥4,221,779	¥4,792,775	¥570,996	\$34,674	\$42,407	\$7,732
2) Corporate bonds	654,758	750,528	95,769	702,235	762,947	60,711	5,810	6,660	849
3) Others	298,768	323,721	24,953	288,025	305,450	17,425	2,651	2,872	221
Total	4,860,703	5,852,760	992,056	5,212,040	5,861,173	649,132	43,137	51,941	8,804
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	621	618	(3)	1,864	1,848	(16)	5	5	(0)
2) Corporate bonds	—	—	—	12,952	12,836	(116)	—	—	—
3) Others	14,918	14,228	(689)	39,901	39,219	(682)	132	126	(6)
Total	15,540	14,847	(693)	54,718	53,904	(814)	137	131	(6)

Note: This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

### Policy-reserve-matching bonds

The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following

table, along with their fair values and the differences between these amounts. No policy-reserve-matching bonds were sold during the years ended March 31, 2015 and 2016.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount									
1) National & local government bonds	¥7,123,476	¥8,775,028	¥1,651,552	¥6,809,524	¥7,459,007	¥649,482	\$63,218	\$77,875	\$14,657
2) Corporate bonds	37,709	41,721	4,011	11,167	12,751	1,584	334	370	35
3) Others	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>7,161,185</b>	<b>8,816,749</b>	<b>1,655,563</b>	<b>6,820,691</b>	<b>7,471,758</b>	<b>651,066</b>	<b>63,553</b>	<b>78,245</b>	<b>14,692</b>
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	892	(7)	—	—	—	7	7	(0)
3) Others	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>900</b>	<b>892</b>	<b>(7)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>7</b>	<b>(0)</b>

### Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥1,477,320 million and ¥106,957 million (U.S. \$949 million) resulting in total gains on sales of ¥186,293 million and ¥8,505 million (U.S. \$75 million) and total losses of ¥365 million and ¥1,617 million (U.S. \$14 million) for the

years ended March 31, 2015 and 2016, respectively. With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs									
(1) Domestic stocks	¥ 1,515,661	¥ 3,317,853	¥1,802,192	¥ 1,568,781	¥ 3,993,134	¥2,424,352	\$13,451	\$ 29,444	\$15,993
(2) Bonds	4,791,138	5,333,851	542,712	4,423,060	4,817,078	394,017	42,519	47,336	4,816
1) National & local government bonds	3,538,179	3,994,223	456,043	3,457,542	3,787,413	329,870	31,400	35,447	4,047
2) Corporate bonds	1,252,958	1,339,628	86,669	965,518	1,029,665	64,147	11,119	11,888	769
(3) Others	4,239,269	5,146,013	906,743	4,767,088	5,948,790	1,181,701	37,622	45,669	8,047
<b>Total</b>	<b>10,546,069</b>	<b>13,797,718</b>	<b>3,251,649</b>	<b>10,758,931</b>	<b>14,759,003</b>	<b>4,000,072</b>	<b>93,593</b>	<b>122,450</b>	<b>28,857</b>
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	135,757	121,378	(14,378)	84,775	77,658	(7,117)	1,204	1,077	(127)
(2) Bonds	30,517	29,776	(741)	61,680	60,933	(746)	270	264	(6)
1) National & local government bonds	550	550	(0)	31,904	31,676	(227)	4	4	(0)
2) Corporate bonds	29,967	29,226	(741)	29,775	29,256	(518)	265	259	(6)
(3) Others	2,656,942	2,598,682	(58,260)	829,206	819,808	(9,397)	23,579	23,062	(517)
<b>Total</b>	<b>2,823,217</b>	<b>2,749,836</b>	<b>(73,380)</b>	<b>975,661</b>	<b>958,399</b>	<b>(17,261)</b>	<b>25,055</b>	<b>24,403</b>	<b>(651)</b>

Note: This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

"Acquisition or amortized costs" in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is readily available

amounted to ¥46 million and ¥8,358 million (U.S. \$74 million) for the years ended March 31, 2015 and 2016, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen					
	2015					
	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
Deposits	¥ 239,805	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	229,523
Loans*	516,245	975,185	759,328	482,999	718,850	1,329,301
Securities						
Held-to-maturity debt securities	341,727	201,812	336,574	374,435	591,132	3,219,663
Policy-reserve-matching bonds	—	—	10,397	101,336	196,296	6,512,661
Available-for-sale securities with maturities	144,144	695,854	1,474,531	2,660,504	1,851,302	4,389,059
<b>Total</b>	<b>1,241,923</b>	<b>1,872,851</b>	<b>2,580,831</b>	<b>3,619,276</b>	<b>3,357,581</b>	<b>15,680,208</b>

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2016						2016					
	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	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
Deposits	¥ 481,171	¥ —	¥ —	¥ —	¥ —	¥ —	\$ 4,270	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought	—	—	—	—	—	223,659	—	—	—	—	—	1,984
Loans*	581,335	928,243	592,073	571,511	791,828	1,888,797	5,159	8,237	5,254	5,071	7,027	16,762
Securities												
Held-to-maturity debt securities	70,578	292,108	353,517	371,596	768,374	2,823,265	626	2,592	3,137	3,297	6,819	25,055
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695	—	—	414	2,006	973	60,167
Available-for-sale securities with maturities	334,983	1,298,700	1,778,995	3,228,125	1,435,037	4,352,303	2,972	11,525	15,788	28,648	12,735	38,625
<b>Total</b>	<b>1,468,069</b>	<b>2,519,052</b>	<b>2,771,249</b>	<b>4,397,287</b>	<b>3,104,914</b>	<b>16,067,720</b>	<b>13,028</b>	<b>22,355</b>	<b>24,593</b>	<b>39,024</b>	<b>27,555</b>	<b>142,596</b>

\* Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥231 million and ¥1,220 million (U.S. \$10 million) as of March 31, 2015 and 2016, respectively.

\* Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payable under securities borrowing transactions, bonds and loans payable

As of March 31,	Millions of Yen					
	2015					
	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
Payable under securities borrowing transactions	¥220,000	¥—	¥—	¥—	¥—	¥—
Loans payable	—	—	—	100,000	—	—
<b>Total</b>	<b>220,000</b>	<b>—</b>	<b>—</b>	<b>100,000</b>	<b>—</b>	<b>—</b>

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2016						2016					
	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	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
Bonds payable	¥ —	¥—	¥—	¥29,543	¥—	¥263,901	\$ —	\$—	\$—	\$262	\$—	\$2,342
Loans payable*	100,000	—	—	—	—	—	887	—	—	—	—	—
<b>Total</b>	<b>100,000</b>	<b>—</b>	<b>—</b>	<b>29,543</b>	<b>—</b>	<b>263,901</b>	<b>887</b>	<b>—</b>	<b>—</b>	<b>262</b>	<b>—</b>	<b>2,342</b>

\* Loans payable are included in "Within 1 year", due to the repayment of ¥100,000 million in April 2016, prior to their maturity.

e. Fair values of derivative transactions

**Hedge accounting not applied**

i) Interest-rate related

As of March 31,	Millions of Yen			
	2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥1,000	¥1,000	¥10	¥10
<b>Total</b>				<b>10</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016				2016			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥ 100	¥100	¥(0)	¥(0)	\$ 0	\$0	\$(0)	\$(0)
Receipts floating, payments fixed	2,347	949	(1)	(1)	20	8	(0)	(0)
<b>Total</b>				<b>(2)</b>				<b>(0)</b>

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

ii) Currency-related

As of March 31,	Millions of Yen			
	2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥11,566	¥—	¥(46)	¥(46)
(Australian dollar)	888	—	3	3
(U.S. dollar)	8,654	—	(53)	(53)
(Euro)	977	—	7	7
(Canadian dollar)	672	—	(1)	(1)
(Others)	373	—	(1)	(1)
Bought	11,641	—	30	30
(U.S. dollar)	8,933	—	44	44
(Euro)	1,428	—	(13)	(13)
(Canadian dollar)	567	—	1	1
(Others)	711	—	(1)	(1)
<b>Total</b>				<b>(16)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016				2016			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥12,946	¥—	¥(103)	¥(103)	\$114	\$—	\$(0)	\$(0)
(Australian dollar)	12,226	—	(105)	(105)	108	—	(0)	(0)
(U.S. dollar)	519	—	3	3	4	—	0	0
(Euro)	169	—	(1)	(1)	1	—	(0)	(0)
(Canadian dollar)	—	—	—	—	—	—	—	—
(Others)	32	—	0	0	0	—	0	0
Bought	5,339	—	39	39	47	—	0	0
(U.S. dollar)	3,572	—	(7)	(7)	31	—	(0)	(0)
(Euro)	1,641	—	46	46	14	—	0	0
(Canadian dollar)	7	—	0	0	0	—	0	0
(Others)	117	—	0	0	1	—	0	0
<b>Total</b>				<b>(63)</b>				<b>(0)</b>

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



iii) Stock-related

As of March 31,	Millions of Yen			
	2015		Fair value	Net gains (losses)
	Notional amount/ contract value (A)	Over 1 year included in (A)		
Exchange-traded transactions				
Yen Stock index futures				
Sold	¥ —	¥—	¥—	¥—
Bought	1,059	—	(25)	(25)
Foreign currency-denominated stock index futures				
Bought	1,681	—	3	3
<b>Total</b>				<b>(21)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016		Fair value	Net gains (losses)	2016		Fair value	Net gains (losses)
	Notional amount/ contract value (A)	Over 1 year included in (A)			Notional amount/ contract value (A)	Over 1 year included in (A)		
Exchange-traded transactions								
Yen Stock index futures								
Sold	¥ 274	¥—	¥ 4	¥ 4	\$ 2	\$—	\$0	\$0
Bought	1,824	—	21	21	16	—	0	0
Foreign currency-denominated stock index futures								
Bought	2,332	—	17	17	20	—	0	0
Exchange-traded transactions								
Stock index options								
Bought								
Call	53,254	—			472	—		
	[1,063]		515	(548)	[9]		4	(4)
<b>Total</b>				<b>(505)</b>				<b>(4)</b>

Notes: Option fees are shown in [ ].

Net gains (losses) represent the fair values for futures trading, and the difference between the option fees and the fair values for option transactions.

iv) Bond-related

No ending balance as of March 31, 2015 and 2016.

**Hedge accounting applied**

i) Interest-rate related

As of March 31,	Millions of Yen			
	Main hedged items	2015		Fair value
Notional amount/ contract value (A)		Over 1 year included in (A)		
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥234,100	¥234,100	¥31,576
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	46,251	31,141	1,237
<b>Total</b>				<b>32,813</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
		2016			2016		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Insurance liabilities</b>	<b>¥233,900</b>	<b>¥233,900</b>	<b>¥59,067</b>	<b>\$2,075</b>	<b>\$2,075</b>	<b>\$524</b>
Receipts floating, payments fixed	<b>Bonds payable</b>	<b>28,754</b>	<b>28,754</b>	<b>(4,825)</b>	<b>255</b>	<b>255</b>	<b>(42)</b>
Fair value hedge accounting							
Interest rate swaps							
Receipts floating, payments fixed	<b>Securities (Bonds)</b>	<b>37,221</b>	<b>37,221</b>	<b>574</b>	<b>330</b>	<b>330</b>	<b>5</b>
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Loans</b>	<b>28,948</b>	<b>18,948</b>	<b>922</b>	<b>256</b>	<b>168</b>	<b>8</b>
<b>Total</b>				<b>55,738</b>			<b>494</b>

## ii) Currency-related

As of March 31,	Millions of Yen			
		2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency- denominated bonds	¥2,354,756	¥ —	¥(70,919)
(U.S. dollar)		2,010,069	—	(89,973)
(Euro)		196,339	—	10,404
(Australian dollar)		148,347	—	8,649
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency- denominated bonds	35,575	35,575	(4,800)
(Australian dollar)		—	—	—
<b>Total</b>				<b>(75,719)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
		2016			2016		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting							
Foreign currency forward contracts							
Sold	<b>Foreign-currency- denominated bonds</b>	<b>¥2,123,031</b>	<b>¥ —</b>	<b>¥89,473</b>	<b>\$18,841</b>	<b>\$ —</b>	<b>\$794</b>
(U.S. dollar)		<b>1,808,792</b>	<b>—</b>	<b>86,840</b>	<b>16,052</b>	<b>—</b>	<b>770</b>
(Euro)		<b>182,880</b>	<b>—</b>	<b>1,773</b>	<b>1,623</b>	<b>—</b>	<b>15</b>
(Australian dollar)		<b>131,358</b>	<b>—</b>	<b>859</b>	<b>1,165</b>	<b>—</b>	<b>7</b>
Deferred hedge accounting							
Cross currency swaps							
(Euro)	<b>Foreign-currency- denominated bonds</b>	<b>35,575</b>	<b>35,575</b>	<b>(1,307)</b>	<b>315</b>	<b>315</b>	<b>(11)</b>
(Australian dollar)		<b>4,305</b>	<b>4,305</b>	<b>89</b>	<b>38</b>	<b>38</b>	<b>0</b>
<b>Total</b>				<b>88,255</b>			<b>783</b>

Note: The table does not include foreign currency derivative transactions regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen.

## iii) Stock-related

No ending balance as of March 31, 2015 and 2016.

## iv) Bond-related

No ending balance as of March 31, 2015 and 2016.

## 5. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,623,208

million and ¥1,440,683 million (U.S. \$12,785 million) as of March 31, 2015 and 2016, respectively.

## 6. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥12,076 million (U.S. \$107 million) at fair value as of March 31, 2016.

## 7. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of none and ¥6,261 million (U.S. \$55 million), securities in the amount of ¥4,586 million and ¥5,096 million (U.S. \$45 million), and loans in the amount of none and ¥40,311 million (U.S. \$357 million) as of March 31, 2015 and 2016, respectively.

## 8. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥188,734 million and ¥175,014 million (U.S. \$1,553 million) as of March 31, 2015 and 2016, respectively.

## 9. Loans

The aggregate amounts of risk-monitored loans, which comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥19,825 million and ¥29,840 million (U.S. \$264 million) as of March 31, 2015 and 2016, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2015 and 2016. The aggregate amounts of loans in arrears were ¥2,630 million and ¥3,985 million (U.S. \$35 million) as of March 31, 2015 and 2016, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2015 and 2016 were ¥44 million and ¥44 million (U.S. \$0 million), respectively, for loans to bankrupt borrowers, and ¥5 million and ¥1 million (U.S. \$0 million), respectively, 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 delinquent principal or interest for a certain period or for other reasons (hereafter, "non-accrual loans") and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

There were no loans in arrears for three months or longer as of March 31, 2015. The amounts of loans in arrears for three months or longer were ¥125 million (U.S. \$1 million) as of March 31, 2016.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date.

Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥17,195 million and ¥25,728 million (U.S. \$228 million) as of March 31, 2015 and 2016, respectively.

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.

## 10. Loan Commitments

The amounts of loan commitments outstanding were ¥24,386 million and ¥45,588 million (U.S. \$404 million) as of March 31, 2015 and 2016, respectively.

## 11. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥592,183 million and ¥582,778 million (U.S. \$5,171 million), and their fair values were ¥647,046 million and ¥669,136 million (U.S. \$5,938 million) as of March 31, 2015 and 2016, respectively. The Company and certain subsidiaries own office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers.

## 12. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥407,166 million and ¥409,136 million (U.S. \$3,630 million) as of March 31, 2015 and 2016, respectively.

## 13. Impairment of Fixed Assets

The details of the impairment losses on fixed assets of the Company are as follows:

### (1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.

For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

### (2) Description of impairment losses recognized

For the years ended March 31, 2015 and 2016, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value due to downturn of the real estate market. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

### (3) Details of fixed assets resulting in impairment losses

For the year ended March 31, 2015

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	2	¥ 206	¥ 3	¥ 210
Idle assets	62	2,531	3,554	6,085
Total	64	¥2,737	¥3,558	¥6,296

For the year ended March 31, 2016

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	41	1,518	2,282	3,800
Total	41	¥1,518	¥2,282	¥3,800

## For the year ended March 31, 2016

Asset group	Millions of U.S. Dollars		
	Land	Buildings	Total
Real estate for non-insurance business	\$—	\$—	\$—
Idle assets	13	20	33
Total	\$13	\$20	\$33

### (4) Calculation method of recoverable amounts

The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.09% and 2.03% for the years ended March 31, 2015 and 2016, respectively. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

## 14. Retirement Benefit Plans

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

### (1) Summary of the retirement benefit plans

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

Certain overseas consolidated subsidiaries have defined benefit plans and defined contribution plans.

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

### (2) Transfer to defined contribution plans

The Company transferred a certain portion of defined benefit corporate pension plans to defined contribution pension plans on July 1, 2014. As a result, other extraordinary losses of ¥1,669 million were recognized for the year ended March 31, 2015.

### (3) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	2016	2015
Method of attributing benefit to period of service	Benefit formula basis	Benefit formula basis
Amortization period for actuarial differences	10 years	10 years
Amortization period for past service cost	10 years	10 years

b. Changes in the retirement benefit obligations for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance at the beginning of the fiscal year	¥317,110	¥356,916	\$2,814
Service costs	11,225	11,448	99
Interest cost on retirement benefit obligations	2,935	3,083	26
Actuarial losses (gains) recognized	2,079	4,320	18
Benefits paid	(26,236)	(27,501)	(232)
Past service costs incurred	—	(4,139)	—
Increase due to new consolidation	66,546	—	590
Others	42	(27,018)	0
Balance at the end of the fiscal year	¥373,704	¥317,110	\$3,316

c. Changes in the plan assets for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance at the beginning of the fiscal year	¥390,372	¥362,538	\$3,464
Expected return on plan assets	3,433	3,391	30
Actuarial gains (losses) recognized	(50,245)	49,182	(445)
Contributions by employer	9,798	10,194	86
Benefits paid	(10,122)	(10,732)	(89)
Increase due to new consolidation	55,280	—	490
Others	38	(24,201)	0
Balance at the end of the fiscal year	¥398,554	¥390,372	\$3,537

d. The amount of the retirement benefit obligations and the plan assets, and the amount of the defined benefit liabilities and the defined benefit assets recognized in the consolidated balance sheets as of March 31, 2015 and 2016 were determined as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Present value of funded retirement benefit obligations	¥365,218	¥315,093	\$3,241
Plan assets at fair value	(398,554)	(390,372)	(3,537)
Net present value of funded retirement benefit obligations	(33,336)	(75,278)	(295)
Present value of non-funded retirement benefit obligations	8,486	2,017	75
Net balance on the consolidated balance sheet	(24,850)	(73,261)	(220)
Consists of:			
Defined benefit liabilities	12,447	1,084	110
Defined benefit assets	(37,298)	(74,345)	(331)

e. The amounts recognized in retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Service costs	¥11,225	¥11,448	\$ 99
Interest cost on retirement benefit obligations	2,935	3,083	26
Expected return on plan assets	(3,433)	(3,391)	(30)
Amortization of net actuarial losses (gains)	40,288	10,864	357
Amortization of net past service costs	(860)	(776)	(7)
Others	74	1,683	0
Retirement benefit expenses	¥50,229	¥22,913	\$445

f. Major components of other comprehensive income and total accumulated other comprehensive income

Major components of other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Actuarial gains (losses)	¥(12,037)	¥60,559	\$(106)
Past service costs	(860)	2,927	(7)
Total	¥(12,898)	¥63,486	\$(114)

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial gains (losses)	¥(49,751)	¥(37,713)	\$(441)
Unrecognized past service costs	5,129	5,989	45
Total	¥(44,622)	¥(31,723)	\$(396)

g. Plan assets

Plan assets as of March 31, 2015 and 2016 were comprised as follows:

As of March 31,	% of total fair value of plan assets	
	2016	2015
Debt securities	8.1%	8.3%
Stocks	33.4%	47.3%
General account of life insurance companies	31.9%	25.1%
Jointly invested assets	22.6%	17.0%
Cash and deposits	0.7%	1.1%
Others	3.3%	1.2%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 57.1% and 44.0% of total plan assets as of March 31, 2015 and 2016, respectively.

h. The expected long-term rate of return on plan assets

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

i. Assumptions used in calculation

Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	2016	2015
Discount rate	0.9%	0.9%
Expected long-term rate of return on plan assets		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%

#### (4) Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥900 million and ¥1,147 million (U.S. \$10 million) for the years ended March 31, 2015 and 2016, respectively.

### 15. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deferred tax assets	¥ 700,506	¥ 650,205	\$6,216
Valuation allowance for deferred tax assets	(6,055)	(6,417)	(53)
Subtotal	694,451	643,787	6,163
Deferred tax liabilities	(1,021,373)	(1,146,543)	(9,064)
Net deferred tax assets (liabilities)	(326,921)	(502,755)	(2,901)

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

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deferred tax assets			
Policy reserves and other reserves	¥433,251	¥ 424,852	\$3,844
Reserve for price fluctuation	145,892	141,866	1,294
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	863,417	1,106,381	7,662

(2) The statutory tax rates were 30.73% and 28.80% for the years ended March 31, 2015 and 2016, respectively. Main factors in the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

Years ended March 31,	2016	2015
Policyholders' dividend reserves	(17.59)%	(15.19)%
Effects of changes in the income tax rate	7.25%	11.81%

(3) From the end of the year ended March 31, 2015, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 30.73% to 28.80% in accordance with the “Act for Partial Revision of the Income Tax Act” (Act No. 9 in 2015).

Due to this change, as of March 31, 2015, deferred tax liabilities of the Company in the consolidated balance sheet decreased by ¥34,385 million, deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥5,754 million, and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥43,023 million.

(4) From the end of the year ended March 31, 2016, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the year ended March 31, 2017 and 2018, and to 27.96% for the year ended March 31, 2019 or later in accordance with the “Act for Partial Revision of the Income Tax Act” (Act No. 15 in 2016).

Due to this change, as of March 31, 2016, deferred tax liabilities of the Company in the consolidated balance sheet decreased by ¥8,234 million (U.S. \$73 million), deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥2,467 million (U.S. \$21 million), and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥18,968 million (U.S. \$168 million).

## 16. Policyholders’ Dividend Reserves

Changes in policyholders’ dividend reserves for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance at the beginning of the fiscal year	¥253,414	¥ 270,023	\$2,248
Transfer from surplus in the previous fiscal year	180,044	158,094	1,597
Dividend payments to policyholders during the fiscal year	(192,857)	(175,209)	(1,711)
Interest accrued during the fiscal year	300	506	2
Balance at the end of the fiscal year	¥240,902	¥ 253,414	\$2,137

## 17. Subordinated Bonds

As of March 31, 2016, bonds payable in liabilities included foreign currency-denominated subordinated bonds of ¥263,901 million (U.S. \$2,342 million), and the repayments of which are subordinated to other obligations.

## 18. Subordinated Debts

As of March 31, 2015 and 2016, other liabilities included subordinated debts of ¥100,000 million and ¥100,000 million (U.S. \$887 million), respectively, and the repayments of which are subordinated to other obligations.

In April 2016, the Company made a repayment of the subordinated debts in the amount of ¥100,000 million, prior to their maturity.

## 19. Accrued Retirement Benefits for Directors and Executive Officers

Accrued retirement benefits for directors and executive officers of the Company are provided based on a portion accrued for the period of the estimated payable amount.

In 2008, the Compensation Committee of the Company decided to terminate the retirement allowance scheme for directors and executive officers of the Company effective June 30, 2008. No provisions have been made for incumbent directors and executive officers since that date.

## 20. Reserve for Contingent Liabilities

Reserve for contingent liabilities of the Company is provided for the amount of estimated possible losses in the future with respect to the securitizations of loans and loan commitments outstanding pursuant to Article 24-4 of the “Ordinance for Enforcement of the Insurance Business Act”.

## 21. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed foundation funds and also established for reserve for redemption of foundation funds pursuant to Article 56 of the “Insurance Business Act” in the amount of ¥60,000 million as of March 31, 2015.

The Company offered foundation funds in the amount of ¥60,000 million pursuant to Article 60 of the “Insurance Business Act” in the year ended March 31, 2015.

## 22. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the “Insurance Business Act” were ¥864,990 million and ¥799,603 million (U.S. \$7,096 million) as of March 31, 2015 and 2016, respectively. The amounts of separate account liabilities were the same as these figures.

## 23. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥52,814 million and ¥52,265 million (U.S. \$463 million) as of March 31, 2015 and 2016, respectively, pursuant to Article 259 of the “Insurance Business Act”.

These contributions are recognized as operating expenses when contributed.

## 24. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred

taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

## 25. Other Comprehensive Income

The components of other comprehensive income (reclassification adjustments and income tax effects relating to other comprehensive income) for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>Net unrealized gains on available-for-sale securities:</b>			
Amount arising during the fiscal year	¥ (810,847)	¥1,657,722	\$(7,196)
Reclassification adjustments	5,220	(184,502)	46
Before income tax effect adjustments	(805,626)	1,473,219	(7,149)
Income tax effects	258,820	(375,970)	2,296
Net unrealized gains on available-for-sale securities	(546,805)	1,097,249	(4,852)
<b>Deferred unrealized gains (losses) on derivatives under hedge accounting:</b>			
Amount arising during the fiscal year	¥ 34,773	¥22,901	\$308
Reclassification adjustments	(3,106)	(2,961)	(27)
Before income tax effect adjustments	31,666	19,939	281
Income tax effects	(8,463)	(5,428)	(75)
Deferred unrealized gains (losses) on derivatives under hedge accounting	23,203	14,511	205
<b>Land revaluation differences:</b>			
Amount arising during the fiscal year	¥ —	¥ —	\$ —
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	2,506	5,884	22
Land revaluation differences	2,506	5,884	22
<b>Foreign currency translation adjustments:</b>			
Amount arising during the fiscal year	¥ (36,574)	¥5,827	\$(324)
Reclassification adjustments	—	—	—
Before income tax effect adjustments	(36,574)	5,827	(324)
Income tax effects	—	—	—
Foreign currency translation adjustments	(36,574)	5,827	(324)
<b>Remeasurements of defined benefit plans:</b>			
Amount arising during the fiscal year	¥ (47,115)	¥ 44,064	\$(418)
Reclassification adjustments	34,217	19,355	303
Before income tax effect adjustments	(12,898)	63,419	(114)
Income tax effects	3,397	(20,284)	30
Remeasurements of defined benefit plans	(9,501)	43,135	(84)
<b>Share of other comprehensive income of affiliates accounted for by the equity method:</b>			
Amount arising during the year	¥ (13,388)	¥11,443	\$(118)
Reclassification adjustments	105	(13)	0
Share of other comprehensive income of affiliates accounted for by the equity method	(13,283)	11,430	(117)
<b>Total other comprehensive income</b>	<b>¥ (580,454)</b>	<b>¥1,178,038</b>	<b>\$(5,151)</b>

## 26. Business Combination

### (1) Overview of business combination

i) Name and business of the acquired company  
 Company name: StanCorp Financial Group, Inc.  
 Business: Life insurance and insurance related business\*  
 \*StanCorp Financial Group, Inc. is a holding company and its subsidiaries operate life insurance business and others.

### ii) Purpose of the acquisition

Through expanding the scale and increasing the level of profits of overseas insurance business, the Company aims to enhance profits and diversify the business portfolio (disperse business risk) of the entire Group, and further improve value for policyholders.

### iii) Date of business combination

March 7, 2016 (U.S. local time)

### iv) Legal form of business combination

Acquisition through a reverse triangular merger in accordance with the U.S. laws regarding corporate reorganization

### v) Name of the acquired company after business combination

StanCorp Financial Group, Inc.

vi) Acquired percentage of shareholdings after completion of the transaction  
 100%

### vii) Controlling company

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

### (2) Period of the acquired company's financial results included in the consolidated financial statements

The acquired company's financial results are not included in the consolidated financial statement of income for the year ended March 31, 2016, as the company used the consolidated statement as of the date of business combination.

### (3) Breakdown of acquisition costs

Consideration of acquisition (cash) ¥599,410 million (U.S. \$5,319 million)  
 Acquisition cost ¥599,410 million (U.S. \$5,319 million)

### (4) Primary component of other expenses associated with the acquisition

Advisory fees and others ¥3,256 million (U.S. \$28 million)

### (5) Goodwill

i) Amount of goodwill  
 ¥158,679 million (U.S. \$1,408 million)

### ii) Reason to recognize goodwill

The acquisition cost, which was calculated by taking into account projections of the acquired company's future profit as of the valuation date, exceeded the net amounts of acquired assets and liabilities assumed.

### iii) Amortization method and period

Amortized on the straight-line basis over 20 years

**(6) The amount of acquired assets and liabilities assumed at the date of business combination**

Total assets	¥2,938,535 million (U.S. \$26,078 million)
Securities included above "Total assets"	¥1,694,223 million (U.S. \$15,035 million)
Total liabilities	¥2,534,399 million (U.S. \$22,492 million)
Policy reserves and others included above "Total liabilities"	¥2,309,724 million (U.S. \$20,498 million)

**(7) Proforma effect on consolidated financial results had the business combination been completed at the beginning of the year ended March 31, 2016**

Ordinary income	¥350,058 million (U.S. \$3,106 million)
Ordinary profit	¥27,670 million (U.S. \$245 million)
Net surplus attributable to the Parent Company	¥17,454 million (U.S. \$154 million)

The ordinary income, ordinary profit and net surplus attributable to the Parent Company are calculated based on the *Annual Report* (Form 10-K) which StanCorp Financial Group, Inc. submitted to the U.S. Securities and Exchange Commission for the year ended December 31, 2015. The goodwill recognized as of the date of business combination was deemed to be recognized at the beginning of the year ended March 31, 2016 and its amortization is included in the proforma financial results. The amortization amount of other intangible fixed assets recognized at the date of business combination is not included. These amount do not represent the actual figures, which were calculated assuming that the business combination was completed at the beginning of the year ended March 31, 2016.

This note is unaudited.

**(8) Breakdown of assets and liabilities of newly consolidated subsidiaries as a result of the acquisition of shares**

Associated with the consolidation of StanCorp Financial Group, Inc. as a result of the acquisition of shares, the breakdown of the assets and liabilities at the beginning of the consolidation, and the relationship between the acquisition price and net cash flow for the acquisition were as follows:

	Millions of Yen	Millions of U.S. Dollars
As of March 31,	2016	2016
Assets	¥2,938,535	\$26,078
Securities included above "Assets"	1,694,223	15,035
Goodwill	158,679	1,408
Liabilities	(2,534,399)	(22,492)
Policy reserves and other reserves included above "Liabilities"	(2,309,724)	(20,498)
Foreign currency translation adjustments	36,595	324
Acquisition price of stock of subsidiaries	599,410	5,319
Cash and cash equivalents of subsidiaries	(67,780)	(601)
Net cash flow for the acquisition of stock of subsidiaries	¥ 531,629	\$ 4,718

**27. Subsequent Events**

***Appropriation of surplus***

The proposed appropriation of surplus of the Company for the year ended March 31, 2016 was approved as planned at the annual meeting of the representatives of policyholders held on July 5, 2016.

***Offering of foundation funds***

During the annual meeting of representatives of policyholders held on July 5, 2016, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥100,000 million during the year ending March 31, 2017.



# Independent Auditor's Report



## Independent Auditor's Report

To the Board of Directors of Meiji Yasuda Life Insurance Company:

We have audited the accompanying consolidated financial statements of Meiji Yasuda Life Insurance Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2016, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meiji Yasuda Life Insurance Company and its consolidated subsidiaries as at March 31, 2015 and 2016, and their financial performance and cash flows for the years then ended in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA LLC*

KPMG AZSA LLC  
July 29, 2016  
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# Non-consolidated Balance Sheets

Meiji Yasuda Life Insurance Company

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>ASSETS:</b>			
<b>Cash and deposits (Note 3)</b>			
Cash	¥ 205	¥ 228	\$ 1
Deposits	321,220	159,822	2,850
<b>Subtotal</b>	<b>321,425</b>	<b>160,050</b>	<b>2,852</b>
<b>Call loans</b>	<b>90,000</b>	<b>368,000</b>	<b>798</b>
<b>Monetary claims bought (Note 3)</b>	<b>223,659</b>	<b>229,523</b>	<b>1,984</b>
<b>Securities (Notes 3, 4, 5, 6, and 7)</b>			
National government bonds	14,358,321	14,116,333	127,425
Local government bonds	697,305	768,778	6,188
Corporate bonds	2,069,524	1,822,072	18,366
Domestic stocks	3,713,046	4,362,817	32,952
Foreign securities	8,053,941	7,553,114	71,476
Other securities	643,840	619,146	5,713
<b>Subtotal</b>	<b>29,535,980</b>	<b>29,242,263</b>	<b>262,122</b>
<b>Loans (Notes 3, 8, and 9)</b>			
Policy loans	275,085	289,921	2,441
Industrial and consumer loans	4,674,782	4,762,317	41,487
<b>Subtotal</b>	<b>4,949,867</b>	<b>5,052,238</b>	<b>43,928</b>
<b>Tangible fixed assets (Notes 10, 11, 12, and 13)</b>			
Land	602,923	613,832	5,350
Buildings	284,975	296,709	2,529
Construction in progress	1,516	6,045	13
Other tangible fixed assets	3,330	3,248	29
<b>Subtotal</b>	<b>892,746</b>	<b>919,835</b>	<b>7,922</b>
<b>Intangible fixed assets</b>			
Software	41,631	37,443	369
Other intangible fixed assets	31,169	26,274	276
<b>Subtotal</b>	<b>72,801</b>	<b>63,717</b>	<b>646</b>
<b>Due from agents</b>	<b>30</b>	<b>33</b>	<b>0</b>
<b>Reinsurance receivables</b>	<b>718</b>	<b>506</b>	<b>6</b>
<b>Other assets</b>			
Accounts receivable	102,552	93,162	910
Prepaid expenses	5,110	4,760	45
Accrued income	100,105	98,334	888
Money on deposit	8,358	8,261	74
Deposits for futures transactions	2,812	1,157	24
Margins on futures transactions	—	18	—
Derivative financial instruments (Note 3)	152,102	52,381	1,349
Cash collaterals pledged for financial instruments	10,400	43,110	92
Suspense	2,306	3,087	20
Other assets	9,940	8,232	88
<b>Subtotal</b>	<b>393,688</b>	<b>312,506</b>	<b>3,493</b>
<b>Prepaid pension cost (Note 14)</b>	<b>80,366</b>	<b>104,534</b>	<b>713</b>
<b>Customers' liabilities under acceptances and guarantees</b>	<b>20,854</b>	<b>20,848</b>	<b>185</b>
<b>Allowance for possible loan losses</b>	<b>(5,457)</b>	<b>(5,034)</b>	<b>(48)</b>
<b>Total assets</b>	<b>¥36,576,681</b>	<b>¥36,469,024</b>	<b>\$324,606</b>

# Non-consolidated Balance Sheets (continued)

Meiji Yasuda Life Insurance Company

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>LIABILITIES:</b>			
<b>Policy reserves and other reserves</b>			
Reserve for outstanding claims (Note 15)	¥ 110,142	¥ 108,483	\$ 977
Policy reserves (Note 15)	31,060,996	30,164,629	275,656
Policyholders' dividend reserves (Note 16)	240,902	253,414	2,137
<b>Subtotal</b>	<b>31,412,041</b>	<b>30,526,528</b>	<b>278,772</b>
<b>Reinsurance payables</b>	<b>683</b>	<b>635</b>	<b>6</b>
<b>Bonds payable (Notes 3 and 17)</b>	<b>238,310</b>	<b>—</b>	<b>2,114</b>
<b>Other liabilities</b>			
Payables under securities borrowing transactions (Note 3)	—	220,000	—
Loans payable (Notes 3 and 18)	100,000	100,000	887
Income taxes payable	—	49,760	—
Accounts payable	41,938	62,975	372
Accrued expenses	29,694	28,129	263
Deferred income	2,530	2,450	22
Deposits received	25,054	25,038	222
Guarantee deposits received	32,191	32,541	285
Margins on futures transactions	49	3	0
Derivative financial instruments (Note 3)	4,799	96,553	42
Cash collaterals received for financial instruments	93,450	19,870	829
Asset retirement obligations	3,097	3,539	27
Suspense receipts	14,648	8,250	129
<b>Subtotal</b>	<b>347,455</b>	<b>649,112</b>	<b>3,083</b>
<b>Accrued retirement benefits for directors and executive officers (Note 19)</b>	<b>82</b>	<b>92</b>	<b>0</b>
<b>Reserve for contingent liabilities (Note 20)</b>	<b>1</b>	<b>2</b>	<b>0</b>
<b>Reserve for price fluctuation</b>	<b>521,677</b>	<b>492,482</b>	<b>4,629</b>
<b>Deferred tax liabilities (Note 21)</b>	<b>256,892</b>	<b>513,117</b>	<b>2,279</b>
<b>Deferred tax liabilities for land revaluation</b>	<b>82,137</b>	<b>85,877</b>	<b>728</b>
<b>Acceptances and guarantees</b>	<b>20,854</b>	<b>20,848</b>	<b>185</b>
<b>Total liabilities</b>	<b>32,880,138</b>	<b>32,288,695</b>	<b>291,801</b>
<b>NET ASSETS:</b>			
<b>Foundation funds (Note 22)</b>	<b>260,000</b>	<b>260,000</b>	<b>2,307</b>
<b>Reserve for redemption of foundation funds (Note 22)</b>	<b>470,000</b>	<b>470,000</b>	<b>4,171</b>
<b>Reserve for revaluation</b>	<b>452</b>	<b>452</b>	<b>4</b>
<b>Surplus</b>	<b>519,529</b>	<b>481,603</b>	<b>4,610</b>
<b>Reserve for future losses</b>	<b>9,883</b>	<b>9,336</b>	<b>87</b>
<b>Other surplus</b>	<b>509,646</b>	<b>472,267</b>	<b>4,522</b>
Reserve for fund redemption	132,000	80,000	1,171
Fund for price fluctuation allowance	29,764	29,764	264
Reserve for promotion of social welfare project	48	48	0
Reserve for business infrastructure	100,000	75,000	887
Reserve for reduction entry of real estate	25,123	23,859	222
Special reserves	2,000	2,000	17
Other reserves	85	85	0
Unappropriated surplus	220,625	261,509	1,957
<b>Total funds, reserve and surplus</b>	<b>1,249,982</b>	<b>1,212,056</b>	<b>11,093</b>
<b>Net unrealized gains on available-for-sale securities</b>	<b>2,288,005</b>	<b>2,833,827</b>	<b>20,305</b>
<b>Deferred unrealized gains on derivatives under hedge accounting</b>	<b>38,659</b>	<b>15,456</b>	<b>343</b>
<b>Land revaluation differences</b>	<b>119,894</b>	<b>118,988</b>	<b>1,064</b>
<b>Total unrealized gains, revaluation reserves and adjustments</b>	<b>2,446,559</b>	<b>2,968,272</b>	<b>21,712</b>
<b>Total net assets</b>	<b>3,696,542</b>	<b>4,180,328</b>	<b>32,805</b>
<b>Total liabilities and net assets</b>	<b>¥36,576,681</b>	<b>¥36,469,024</b>	<b>\$324,606</b>

# Non-consolidated Statements of Income

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen		Millions of
	2016	2015	2016
<b>ORDINARY INCOME:</b>			
<b>Insurance premiums and other</b>			
Insurance premiums	¥3,357,042	¥3,407,946	\$29,792
Reinsurance revenue	816	500	7
<b>Subtotal</b>	<b>3,357,858</b>	<b>3,408,447</b>	<b>29,799</b>
<b>Investment income (Note 26)</b>			
Interest, dividends and other income	690,849	698,142	6,131
Interest on deposits	42	61	0
Interest and dividends on securities	554,603	558,623	4,921
Interest on loans	90,474	95,007	802
Rent revenue from real estate	34,861	33,404	309
Other interest and dividends	10,867	11,044	96
Gains on money held in trust	0	0	0
Gains on sales of securities	8,415	186,196	74
Gains on redemption of securities	88,701	58,075	787
Foreign exchange gains	153	—	1
Reversal of allowance for possible loan losses	—	2,875	—
Other investment income	24	23	0
Investment gains on separate accounts	—	83,806	—
<b>Subtotal</b>	<b>788,144</b>	<b>1,029,120</b>	<b>6,994</b>
<b>Other ordinary income</b>			
Income from annuity riders	15,004	14,979	133
Income from deferred benefits	66,906	87,118	593
Reversal of reserves for outstanding claims (Note 27)	—	5,268	—
Reversal of accrued retirement benefits	—	5,733	—
Other ordinary income	7,540	7,960	66
<b>Subtotal</b>	<b>89,452</b>	<b>121,061</b>	<b>793</b>
<b>Total ordinary income</b>	<b>4,235,455</b>	<b>4,558,629</b>	<b>37,588</b>
<b>ORDINARY EXPENSES:</b>			
<b>Benefits and other payments</b>			
Claims paid	562,557	635,653	4,992
Annuity payments	695,922	849,823	6,176
Benefit payments	409,457	427,691	3,633
Surrender benefits	454,237	451,984	4,031
Other refunds	173,064	225,214	1,535
Reinsurance premiums	5,898	6,021	52
<b>Subtotal</b>	<b>2,301,138</b>	<b>2,596,389</b>	<b>20,421</b>
<b>Provision for policy reserves and other reserves</b>			
Provision for reserve for outstanding claims (Note 27)	1,659	—	14
Provision for policy reserves (Note 27)	896,366	953,803	7,954
Provision for interest on policyholders' dividend reserves (Note 16)	251	461	2
<b>Subtotal</b>	<b>898,277</b>	<b>954,264</b>	<b>7,971</b>
<b>Investment expenses (Note 26)</b>			
Interest expenses	6,217	3,292	55
Losses on sales of securities	1,959	365	17
Losses on valuation of securities	12,791	300	113
Losses on redemption of securities	37	—	0
Losses on derivative financial instruments	107,329	71,082	952
Foreign exchange losses	—	145	—
Provision for allowance for possible loan losses	664	—	5
Depreciation of real estate for non-insurance business	9,508	9,513	84
Other investment expenses	12,538	11,173	111
Investment losses on separate accounts	28,956	—	256
<b>Subtotal</b>	<b>180,002</b>	<b>95,874</b>	<b>1,597</b>

# Non-consolidated Statements of Income (continued)

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>Operating expenses (Note 28)</b>	<b>355,644</b>	348,426	<b>3,156</b>
<b>Other ordinary expenses</b>			
Deferred benefit payments	120,001	125,661	1,064
Taxes	28,395	28,282	251
Depreciation	21,618	20,738	191
Provision for accrued retirement benefits	24,167	—	214
Other ordinary expenses	5,256	5,137	46
<b>Subtotal</b>	<b>199,438</b>	179,820	<b>1,769</b>
<b>Total ordinary expenses</b>	<b>3,934,501</b>	4,174,775	<b>34,917</b>
<b>Ordinary profit</b>	<b>300,953</b>	383,854	<b>2,670</b>
<b>Extraordinary gains</b>			
Gains on disposals of fixed assets	2,614	5,951	23
Reversal of reserve for contingent liabilities	0	12	0
<b>Subtotal</b>	<b>2,615</b>	5,964	<b>23</b>
<b>Extraordinary losses</b>			
Losses on disposals of fixed assets	6,584	5,566	58
Impairment losses (Note 13)	3,800	6,296	33
Provision for reserve for price fluctuation	29,195	11,642	259
Losses on reduction entry of real estate	—	2,413	—
Contributions for promotion of social welfare project	553	552	4
Other extraordinary losses (Note 14)	—	1,669	—
<b>Subtotal</b>	<b>40,133</b>	28,140	<b>356</b>
<b>Surplus before income taxes</b>	<b>263,435</b>	361,677	<b>2,337</b>
<b>Income taxes (Note 21)</b>			
Current	52,632	117,680	467
Deferred	(7,668)	(21,258)	(68)
Total income taxes	<b>44,963</b>	96,422	<b>399</b>
<b>Net surplus</b>	<b>¥ 218,472</b>	¥ 265,255	<b>\$ 1,938</b>

# Non-consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company

Year ended March 31, 2015

(Millions of Yen)

	Funds, reserves and surplus												Unrealized gains (losses), revaluation reserve and adjustments					Total net assets	
	Surplus											Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments			
	Founda- tion funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves						Unappropriated surplus		Total surplus
Beginning balance	¥260,000	¥410,000	¥452	¥8,854	¥85,000	¥29,764	¥ 48	¥50,000	¥24,052	¥2,000	¥85	¥241,508	¥441,313	¥1,111,766	¥1,738,003	¥ 944	¥106,051	¥1,845,000	¥2,956,766
Cumulative effects of changes in accounting policies												2,752	2,752	2,752					2,752
Beginning balance after reflecting accounting policy changes	260,000	410,000	452	8,854	85,000	29,764	48	50,000	24,052	2,000	85	244,261	444,066	1,114,518	1,738,003	944	106,051	1,845,000	2,959,519
Changes in the fiscal year																			
Issuance of foundation funds	60,000													60,000					60,000
Additions to policyholders' dividend reserves (Note 16)												(158,094)	(158,094)	(158,094)					(158,094)
Additions to reserve for future losses				482								(482)							
Additions to reserve for redemption of foundation funds		60,000												60,000					60,000
Payment of interest on foundation funds												(2,572)	(2,572)	(2,572)					(2,572)
Net surplus												265,255	265,255	265,255					265,255
Redemption of foundation funds	(60,000)													(60,000)					(60,000)
Additions to reserve for fund redemption					55,000							(55,000)							
Reversal of reserve for fund redemption					(60,000)								(60,000)	(60,000)					(60,000)
Additions to reserve for promotion of social welfare project							553					(553)							
Reversal of reserve for promotion of social welfare project							(552)					552							
Additions to reserve for business infrastructure								25,000				(25,000)							
Additions to reserve for reduction entry of real estate									358			(358)							
Reversal of reserve for reduction entry of real estate									(551)			551							
Reversal of land revaluation differences												(7,051)	(7,051)	(7,051)					(7,051)
Net changes, excluding funds, reserves and surplus															1,095,824	14,511	12,936	1,123,272	1,123,272
Net changes in the fiscal year	—	60,000	—	482	(5,000)	—	0	25,000	(192)	—	—	17,248	37,537	97,537	1,095,824	14,511	12,936	1,123,272	1,220,809
Ending balance	¥260,000	¥470,000	¥452	¥9,336	¥80,000	¥29,764	¥ 48	¥75,000	¥23,859	¥2,000	¥85	¥261,509	¥481,603	¥1,212,056	¥2,833,827	¥15,456	¥118,988	¥2,968,272	¥4,180,328

Year ended March 31, 2016

(Millions of Yen)

	Funds, reserves and surplus												Unrealized gains (losses), revaluation reserve and adjustments					Total net assets	
	Surplus											Total funds, reserves and surplus	Net unrealized gains (losses) on available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments			
	Founda- tion funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves						Unappropriated surplus		Total surplus
Beginning balance	¥260,000	¥470,000	¥452	¥9,336	¥ 80,000	¥29,764	¥48	¥ 75,000	¥23,859	¥2,000	¥85	¥261,509	¥481,603	¥1,212,056	¥2,833,827	¥15,456	¥118,988	¥2,968,272	¥4,180,328
Changes in the fiscal year																			
Additions to policyholders' dividend reserves (Note 16)												(180,044)	(180,044)	(180,044)					(180,044)
Additions to reserve for future losses				547								(547)							
Payment of interest on foundation funds												(2,101)	(2,101)	(2,101)					(2,101)
Net surplus												218,472	218,472	218,472					218,472
Additions to reserve for fund redemption					52,000							(52,000)							
Additions to reserve for promotion of social welfare project							553					(553)							
Reversal of reserve for promotion of social welfare project							(553)					553							
Additions to reserve for business infrastructure								25,000				(25,000)							
Additions to reserve for reduction entry of real estate									1,838			(1,838)							
Reversal of reserve for reduction entry of real estate									(574)			574							
Reversal of land revaluation differences												1,599	1,599	1,599					1,599
Net changes, excluding funds, reserves and surplus															(545,822)	23,203	906	(521,712)	(521,712)
Net changes in the fiscal year	—	—	—	547	52,000	—	(0)	25,000	1,263	—	—	(40,884)	37,926	37,926	(545,822)	23,203	906	(521,712)	(483,786)
Ending balance	¥260,000	¥470,000	¥452	¥9,883	¥132,000	¥29,764	¥48	¥100,000	¥25,123	¥2,000	¥85	¥220,625	¥519,529	¥1,249,982	¥2,288,005	¥38,659	¥119,894	¥2,446,559	¥3,696,542

# Non-consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company

Year ended March 31, 2016

(Millions of U.S. Dollars)

	Funds, reserves and surplus												Unrealized gains (losses), revaluation reserve and adjustments					Total net assets	
	Surplus											Total funds, reserves and surplus	Net unrealized gains (losses) available for sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments			
	Other surplus																		
	Foundation funds (Note 22)	Reserve for redemption of foundation funds (Note 22)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves						Unappropriated surplus		Total surplus
Beginning balance	\$2,307	\$4,171	\$ 4	\$82	\$ 709	\$264	\$0	\$665	\$211	\$17	\$0	\$2,320	\$4,274	\$10,756	\$25,149	\$137	\$1,055	\$26,342	\$37,099
Changes in the fiscal year																			
Additions to policyholders' dividend reserves (Note 16)												(1,597)	(1,597)	(1,597)					(1,597)
Additions to reserve for future losses				4								(4)							
Payment of interest on foundation funds												(18)	(18)	(18)					(18)
Net surplus												1,938	1,938	1,938					1,938
Additions to reserve for fund redemption					461							(461)							
Additions to reserve for promotion of social welfare project							4					(4)							
Reversal of reserve for promotion of social welfare project							(4)					4							
Additions to reserve for business infrastructure								221				(221)							
Additions to reserve for reduction entry of real estate									16			(16)							
Reversal of reserve for reduction entry of real estate									(5)			5							
Reversal of land revaluation differences												14	14	14					14
Net changes, excluding funds, reserves and surplus															(4,844)	205	8	(4,630)	(4,630)
Net changes in the fiscal year	—	—	—	4	461	—	(0)	221	11	—	—	(362)	336	336	(4,844)	205	8	(4,630)	(4,293)
<b>Ending balance</b>	<b>\$2,307</b>	<b>\$4,171</b>	<b>\$ 4</b>	<b>\$87</b>	<b>\$1,171</b>	<b>\$264</b>	<b>\$0</b>	<b>\$887</b>	<b>\$222</b>	<b>\$17</b>	<b>\$0</b>	<b>\$1,957</b>	<b>\$4,610</b>	<b>\$11,093</b>	<b>\$20,305</b>	<b>\$343</b>	<b>\$1,064</b>	<b>\$21,712</b>	<b>\$32,805</b>

## Non-consolidated Proposed Appropriation of Surplus

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
<b>Unappropriated surplus</b>	<b>¥220,625</b>	¥261,509	<b>\$1,957</b>
<b>Reversal of voluntary surplus reserves:</b>	<b>631</b>	574	<b>5</b>
Reversal of reserve for reduction entry of real estate	<b>631</b>	574	<b>5</b>
<b>Total</b>	<b>221,256</b>	262,084	<b>1,963</b>
<b>Appropriation of surplus</b>	<b>221,256</b>	262,084	<b>1,963</b>
Provision for policyholders' dividend reserves	<b>165,707</b>	180,044	<b>1,470</b>
Net surplus	<b>55,549</b>	82,039	<b>492</b>
Reserve for future losses	<b>504</b>	547	<b>4</b>
Interest on foundation funds	<b>2,101</b>	2,101	<b>18</b>
Voluntary surplus reserves:	<b>52,944</b>	79,391	<b>469</b>
Reserve for fund redemption	<b>52,000</b>	52,000	<b>461</b>
Reserve for promotion of social welfare project	<b>553</b>	553	<b>4</b>
Reserve for business infrastructure	<b>—</b>	25,000	<b>—</b>
Reserve for reduction entry of real estate	<b>391</b>	1,838	<b>3</b>

# Notes to the Non-consolidated Financial Statements

Meiji Yasuda Life Insurance Company

## 1. Basis of Presentation

MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) has prepared the accompanying non-consolidated financial statements in accordance with the provisions set forth in the Japanese “Insurance Business Act” and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at March 31, 2016, which was ¥112.68 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Securities

Securities held by the Company are classified and accounted for as follows:

- a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.
- b. Held-to-maturity debt securities are stated at amortized cost using the moving average method and the amortization is calculated using the straight-line method.
- c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” (Japanese Institute of Certified Public Accountants (JICPA), issued on November 16, 2000). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.
- d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the “Insurance Business Act” and Article 13-5-2, Paragraph 3 of the “Order for Enforcement of the Insurance Business Act.” The affiliates are under Paragraph 4 of the order.
- e. Available-for-sale securities
  - i) Securities of which market value is readily available  
Stocks are stated at the average of the market value during the final month of the fiscal year. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

- ii) Securities of which market value is extremely difficult to determine  
Bonds (including foreign bonds) of which premium or discount are regarded as interest rate adjustment are stated at amortized cost using the moving average method. The amortization is calculated using the straight-line method. Other securities are stated at cost using the moving average method.

- iii) Unrealized gains and losses on available-for-sale securities are reported as a component of net assets in the non-consolidated balance sheets.

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

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry” (JICPA, issued on November 16, 2000).

### (3) Derivative transactions

Derivative transactions are stated at fair value.

### (4) Method of hedge accounting

Methods of hedge accounting are in accordance with the “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008).

These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable and payable;
  - the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
  - the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
  - the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and
  - the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.
- Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

### (5) Tangible fixed assets

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

- a. Buildings  
Calculated using the straight-line method.
- b. Other tangible fixed assets  
Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years



#### Revaluation of land

The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as permitted by the “Act on Revaluation of Land”.

The difference in value before and after revaluation is directly included in net assets in the non-consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the non-consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the “Order for Enforcement of the Act on Revaluation of Land”) for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

#### **(6) Software**

Capitalized software for internal use owned by the Company (included in intangible fixed assets in the non-consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

#### **(7) Allowance for possible loan losses**

Allowance for possible loan losses of the Company is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, “bankrupt borrowers”) and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, “substantially bankrupt borrowers”), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collaterals and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, “borrowers with high possibility of bankruptcy”), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collaterals and by executing guarantees.

For 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 by the department concerned based on the Company’s standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collaterals to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the years ended March 31, 2015 and 2016 amounted to ¥50 million and ¥46 million (U.S. \$0 million), respectively.

#### **(8) Policy reserves**

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 method:

- a. For contracts that are subject to the standard policy reserve requirements, the premium reserves are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).
- b. For contracts that are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

The policy reserves include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the “Ordinance for Enforcement of the Insurance Business Act”. The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts.

The policy reserves also include reserves which are additionally set aside for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance.

#### **(9) Accrued retirement benefits**

Accrued retirement benefits of the Company are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

No accrued retirement benefits were recognized on the liabilities due to the plan assets in excess of the retirement benefit obligations as of March 31, 2015 and 2016, respectively.

#### **(10) Reserve for price fluctuation**

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

#### **(11) Revenue recognition**

Insurance premiums are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenue. Unearned insurance premiums are recognized as policy reserves.

#### **(12) Policy acquisition costs**

Policy acquisition costs are expensed when incurred.

#### **(13) Accounting for consumption taxes**

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the “Corporation Tax Act”.

#### (14) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for equity securities issued by subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

#### (15) New accounting standards

The Company changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis from the beginning of the year ended March 31, 2015 in accordance with "Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) which have been applied from the beginning of the year ended March 31, 2015.

The amount of the effect of the change in the method of calculation of retirement benefit obligations and service costs was included in surplus in the non-consolidated balance sheet at the beginning of the year ended March 31, 2015 in accordance with the transitional treatment set out in Paragraph 37 of the standard.

As a result, surplus at the beginning of the period increased by ¥2,752 million and, as well, ordinary profit and surplus before income taxes decreased by ¥806 million for the year ended March 31, 2015.

### 3. Financial Instruments

#### (1) Qualitative information on financial instruments

The Company develops the asset and liability management based on surplus, and it monitors a surplus derived from the difference between the economic values of assets and liabilities as a measure of financial soundness, in order to manage its investment assets (excluding the assets of the separate account prescribed in Article 118, Paragraph 1 of the "Insurance Business Act").

Based on this risk management, the Company mainly invests in securities and loans. Securities held primarily consist of bonds, stocks and investment trusts. Loans primarily consist of loans to domestic corporate borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk, insurance liability risk and bonds payable risk.

Methods of hedge accounting are in accordance with the "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008). These methods consist primarily of:

- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated loans and bonds payable; and

-the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities are exposed to market risk (interest rate fluctuation risk, exchange rate fluctuation risk and price fluctuation risk) and credit risk. Loans are exposed to credit risk and interest rate fluctuation risk. Derivative transactions are exposed to market risk and credit risk.

Loans payable are exposed to interest rate fluctuation risk arising from floating interest rate borrowings. Foreign currency denominated bonds payable are exposed to exchange rate fluctuation risk.

With regard to the interest rate fluctuation risk management, the Company manages the fluctuation risk on the basis of economic values from a surplus management perspective, by purchasing super long-term bonds to keep asset duration stable and using interest rate swaps for the interest rate risk hedge against insurance liabilities.

To manage the exchange rate fluctuation risk, the Company hedges against exchange rate fluctuation using forward exchange contracts where necessary for appropriate controls of exchange rate fluctuation risk.

To manage the price fluctuation risk, the Company performs integrated management for outstanding balances and the profit and loss situation of securities and derivative transactions and also monitors loss limits to minimize unexpected losses.

In addition to the Value at Risk (VaR) method to measure the maximum expected loss, the Company performs stress tests periodically to simulate conditions that might arise in the event of sharp market fluctuations that exceed normal forecasts.

The profit and loss status and compliance with these procedures are monitored by the investment risk management department, reported regularly (or immediately in urgent cases) to the small-committee of investment risk management and, on important matters reported directly to the Board of Directors and Committees.

To manage credit risk, the Company carefully identifies risks in each transaction and limits investments to those that are assessed to be of high quality.

Where credit risk assessment is particularly important regarding corporate loans, the credit risk management department ensures that a rigorous screening system is in place, and monitors borrowers and internal credit rating using corporate screening methods. The Company follows careful discussions by the Investment Committee (Management Committee) to make decisions on highly important deals.

Further, the Company sets exposure limits based on counterparties' creditworthiness to ensure that risk is not concentrated among certain companies or groups, and diversifies investments.

With regard to derivative transactions, the Company limits risk by setting up policies and establishing limits by the type of transaction and by each counterparty. At the same time, a system of internal checks is in place by segregating the departments executing the transactions from the administrative departments to ensure risk management is on an appropriate footing.

The fair value of financial instruments is based on the market price or, in cases where market price is not available, based on prices calculated using reasonable methods.

Since certain assumptions are adopted for the price calculations, the prices calculated may differ when different assumptions are used.

## (2) Fair values of financial instruments

The amounts of the principal financial assets and liabilities reported in the non-consolidated balance sheets at the end of the fiscal year, and fair values and the differences between them, were as follows:

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 321,425	¥ 321,425	¥ —	¥ 160,050	¥ 160,050	¥ —	\$ 2,852	\$ 2,852	\$ —
Available-for-sale securities (CDs)	23,998	23,998	—	6,000	6,000	—	212	212	—
Monetary claims bought	223,659	241,204	17,545	229,523	241,833	12,309	1,984	2,140	155
Held-to-maturity debt securities	195,380	212,925	17,545	200,223	212,532	12,309	1,733	1,889	155
Available-for-sale securities	28,278	28,278	—	29,300	29,300	—	250	250	—
Securities	28,059,227	30,686,513	2,627,286	28,264,546	29,550,365	1,285,819	249,016	272,333	23,316
Trading securities	746,596	746,596	—	808,800	808,800	—	6,625	6,625	—
Held-to-maturity debt securities	4,659,686	5,631,416	971,729	5,049,665	5,684,417	634,752	41,353	49,977	8,623
Policy-reserve-matching bonds	7,162,085	8,817,642	1,655,556	6,820,691	7,471,758	651,066	63,561	78,253	14,692
Available-for-sale securities	15,490,858	15,490,858	—	15,585,388	15,585,388	—	137,476	137,476	—
Loans	4,949,867	5,278,744	328,877	5,052,238	5,331,508	279,269	43,928	46,847	2,918
Policy loans	275,085	275,085	—	289,921	289,921	—	2,441	2,441	—
Industrial and consumer loans	4,674,782	5,003,659	328,877	4,762,317	5,041,586	279,269	41,487	44,405	2,918
Allowance for possible loan losses <sup>(1)</sup>	(3,955)	—	—	(3,066)	—	—	(35)	—	—
	4,945,912	5,278,744	332,832	5,049,172	5,331,508	282,335	43,893	46,847	2,953
Bonds payable	238,310	270,300	31,990	—	—	—	2,114	2,398	283
Payables under securities borrowing transactions	—	—	—	220,000	220,000	—	—	—	—
Loans payable	100,000	100,000	—	100,000	100,000	—	887	887	—
Derivative financial instruments <sup>(2)</sup>	147,302	147,302	—	(44,171)	(44,171)	—	1,307	1,307	—
Hedge accounting is not applied	(20)	(20)	—	(27)	(27)	—	(0)	(0)	—
Hedge accounting is applied	147,323	147,323	—	(44,143)	(44,143)	—	1,307	1,307	—

(1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.

(2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

a. Method used to determine the fair value of financial instruments

i) Assets

### Cash and deposits

The Company regards book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts. Fair value of deposits deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated in the same method shown in "Securities."

### Monetary claims bought

Fair value of monetary claims bought deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated using the same method shown in "Securities" and the fair value of these monetary claims bought is stated at theoretical prices calculated by discounting the future cash flows to the present value or at the fair value obtained from counterparties at the balance sheet date.

### Securities

As for available-for-sale securities, domestic stocks of which market value is readily available are stated at the average of the market value during the final month of the fiscal year. Other securities are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because these are regarded as extremely

difficult to determine fair value. The amounts of the unlisted stocks and others reported in the non-consolidated balance sheets as of March 31, 2015 and 2016 were as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Unlisted stocks and others	¥1,476,752	¥977,716	\$13,105
Equity securities issued by subsidiaries and affiliates	890,889	285,948	7,906

Impairment losses on the unlisted stocks and others except for equity securities issued by subsidiaries and affiliates were ¥254 million and ¥98 million (U.S. \$0 million) for the years ended March 31, 2015 and 2016, respectively.

### Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company regards book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest condition.

As for industrial and consumer loans, their fair value of these loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts arrived at by deducting estimated losses from the book value before direct write-off.

ii) Liabilities

**Bonds payable**

The fair value of bonds payable is based on data provided by pricing vendors at the balance sheet date.

**Payables under securities borrowing transactions**

The Company regards book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts.

**Loans payable**

The Company regards book value as fair value with the assumption that fair value approximates book value since loans are made at floating interest rates that reflect market interest rates timely, and since the Company's credit standing has not changed significantly after borrowing.

iii) Derivative financial instruments

**Listed transactions**

The fair value of listed transactions, such as stock index futures and bond futures, is stated at the closing or settlement prices at the balance sheet date.

**OTC transactions**

The fair value of Over-the-Counter (OTC) transactions, such as foreign exchange contracts, is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, or fair value obtained from counterparties at the balance sheet date.

Since OTC transactions of currency swaps contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans and bonds payable, their fair value is

included in the fair value of hedged loans and bonds payable in the table above.

**Interest rate swap transactions**

The fair value of interest rate swap transactions is stated at theoretical prices calculated by discounting the net future cash flows to the present value, or fair value obtained from counterparties at the balance sheet date.

Since interest rate swaps subject to the special hedge accounting are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

b. Securities by holding purpose

**Trading securities**

The unrealized valuation gains (losses) on trading securities included in profits (losses) for the fiscal year amounted to ¥25,474 million and ¥(59,656) million (U.S. \$(529) million) for the years ended March 31, 2015 and 2016, respectively.

**Held-to-maturity debt securities**

No held-to-maturity debt securities were sold during the year ended March 31, 2015, and disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million (U.S. \$41 million) resulting in total losses on sales of ¥350 million (U.S. \$3 million) for the year ended March 31, 2016. The amounts reported in the non-consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the fiscal year, and the differences between them, were shown in the following table.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount									
1) National & local government bonds	¥3,889,095	¥ 4,758,337	¥ 869,241	¥4,206,772	¥4,776,496	¥569,723	\$34,514	\$42,228	\$7,714
2) Corporate bonds	654,758	750,528	95,769	702,235	762,947	60,711	5,810	6,660	849
3) Others	298,768	323,721	24,953	288,025	305,450	17,425	2,651	2,872	221
Total	4,842,623	5,832,587	989,964	5,197,034	5,844,894	647,860	42,976	51,762	8,785
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	—	—	—	12,952	12,836	(116)	—	—	—
3) Others	12,444	11,755	(689)	39,901	39,219	(682)	110	104	(6)
Total	12,444	11,755	(689)	52,854	52,055	(798)	110	104	(6)

Note: This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

### Policy-reserve-matching bonds

The carrying amounts in the non-consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following

table, along with their fair values and the differences between these amounts. No policy-reserve-matching bonds were sold during the years ended March 31, 2015 and 2016.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount									
1) National & local government bonds	¥7,123,476	¥8,775,028	¥1,651,552	¥6,809,524	¥7,459,007	¥649,482	\$63,218	\$77,875	\$14,657
2) Corporate bonds	37,709	41,721	4,011	11,167	12,751	1,584	334	370	35
3) Others	—	—	—	—	—	—	—	—	—
Total	7,161,185	8,816,749	1,655,563	6,820,691	7,471,758	651,066	63,553	78,245	14,692
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	892	(7)	—	—	—	7	7	(0)
3) Others	—	—	—	—	—	—	—	—	—
Total	900	892	(7)	—	—	—	7	7	(0)

### Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥1,462,894 million and ¥86,396 million (U.S. \$766 million) resulting in total gains on sales of ¥186,196 million and ¥8,415 million (U.S. \$74 million) and total losses of ¥365 million and ¥1,609 million (U.S. \$14 million) for the years ended March 31, 2015 and 2016, respectively. With regard to

available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the non-consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2016			2015			2016		
	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs									
(1) Domestic stocks	¥ 1,515,554	¥ 3,317,732	¥1,802,177	¥ 1,568,675	¥ 3,993,007	¥2,424,331	\$13,450	\$ 29,443	\$15,993
(2) Bonds	4,744,251	5,285,472	541,220	4,371,423	4,764,333	392,909	42,103	46,906	4,803
1) National & local government bonds	3,491,392	3,945,944	454,551	3,406,065	3,734,828	328,763	30,985	35,019	4,034
2) Corporate bonds	1,252,858	1,339,527	86,668	965,358	1,029,504	64,146	11,118	11,887	769
(3) Others	4,216,928	5,121,887	904,959	4,738,053	5,916,577	1,178,523	37,423	45,455	8,031
Total	10,476,734	13,725,092	3,248,357	10,678,152	14,673,917	3,995,764	92,977	121,805	28,828
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	135,757	121,378	(14,378)	84,585	77,468	(7,117)	1,204	1,077	(127)
(2) Bonds	7,828	7,086	(741)	60,197	59,453	(743)	69	62	(6)
1) National & local government bonds	—	—	—	30,421	30,196	(224)	—	—	—
2) Corporate bonds	7,828	7,086	(741)	29,775	29,256	(518)	69	62	(6)
(3) Others	1,747,189	1,689,578	(57,610)	819,136	809,849	(9,286)	15,505	14,994	(511)
Total	1,890,774	1,818,043	(72,730)	963,919	946,771	(17,147)	16,780	16,134	(645)

Note: This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

"Acquisition or amortized costs" in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is readily available

amounted to ¥46 million and ¥8,358 million (U.S. \$74 million) for the years ended March 31, 2015 and 2016, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen					
	2015					
	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
Deposits	¥ 159,822	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	229,523
Loans*	514,850	972,800	756,277	480,441	715,202	1,321,629
Securities	473,984	879,087	1,805,171	3,123,542	2,618,953	14,098,114
Held-to-maturity debt securities	341,727	201,812	336,574	372,785	586,022	3,210,743
Policy-reserve-matching bonds	—	—	10,397	101,336	196,296	6,512,661
Available-for-sale securities with maturities	132,256	677,274	1,458,199	2,649,420	1,836,634	4,374,710
<b>Total</b>	<b>1,148,657</b>	<b>1,851,887</b>	<b>2,561,448</b>	<b>3,603,983</b>	<b>3,334,155</b>	<b>15,649,267</b>

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2016						2016					
	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	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
Deposits	¥ 321,220	¥ —	¥ —	¥ —	¥ —	¥ —	\$ 2,850	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought	—	—	—	—	—	223,659	—	—	—	—	—	1,984
Loans*	563,111	893,532	560,817	551,759	755,220	1,348,727	4,997	7,929	4,977	4,896	6,702	11,969
Securities	318,432	1,373,259	2,029,070	3,614,158	2,133,003	13,788,523	2,825	12,187	18,007	32,074	18,929	122,368
Held-to-maturity debt securities	70,578	292,108	353,517	368,236	763,174	2,812,071	626	2,592	3,137	3,267	6,772	24,956
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695	—	—	414	2,006	973	60,167
Available-for-sale securities with maturities	247,853	1,081,150	1,628,890	3,019,868	1,260,155	4,196,757	2,199	9,594	14,455	26,800	11,183	37,244
<b>Total</b>	<b>1,202,763</b>	<b>2,266,791</b>	<b>2,589,888</b>	<b>4,165,917</b>	<b>2,888,224</b>	<b>15,360,910</b>	<b>10,674</b>	<b>20,117</b>	<b>22,984</b>	<b>36,971</b>	<b>25,632</b>	<b>136,323</b>

\* Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥231 million and ¥1,220 million (U.S. \$10 million) as of March 31, 2015 and 2016, respectively.

\* Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payable under securities borrowing transactions, bonds and loans payable

As of March 31,	Millions of Yen					
	2015					
	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
Payable under securities borrowing transactions	¥220,000	¥—	¥—	¥—	¥—	¥—
Loans payable	—	—	—	100,000	—	—
<b>Total</b>	<b>220,000</b>	<b>—</b>	<b>—</b>	<b>100,000</b>	<b>—</b>	<b>—</b>

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2016						2016					
	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	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
Bonds payable	¥ —	¥—	¥—	¥—	¥—	¥238,310	\$ —	\$—	\$—	\$—	\$—	\$2,114
Loans payable*	100,000	—	—	—	—	—	887	—	—	—	—	—
<b>Total</b>	<b>100,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>238,310</b>	<b>887</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,114</b>

\* Loans payable are included in "Within 1 year", due to the repayment of ¥100,000 million in April 2016, prior to their maturity.

e. Fair values of derivative transactions

**Hedge accounting not applied**

i) Interest-rate related

As of March 31,	Millions of Yen			
	2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps				
Receipts fixed, payments floating	¥1,000	¥1,000	¥10	¥10
Total				10

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016				2016			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Interest rate swaps								
Receipts fixed, payments floating	¥100	¥100	¥(0)	¥(0)	\$0	\$0	\$(0)	\$(0)
Total				(0)				(0)

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

ii) Currency-related

As of March 31,	Millions of Yen			
	2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts				
Sold	¥11,566	¥—	¥(46)	¥(46)
(Australian dollar)	888	—	3	3
(U.S. dollar)	8,654	—	(53)	(53)
(Euro)	977	—	7	7
(Canadian dollar)	672	—	(1)	(1)
(Others)	373	—	(1)	(1)
Bought	11,641	—	30	30
(U.S. dollar)	8,933	—	44	44
(Euro)	1,428	—	(13)	(13)
(Canadian dollar)	567	—	1	1
(Others)	711	—	(1)	(1)
Total				(16)

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016		2016		2016		2016	
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Foreign currency forward contracts								
Sold	¥12,946	¥—	¥(103)	¥(103)	\$114	\$—	\$ (0)	\$ (0)
(Australian dollar)	12,226	—	(105)	(105)	108	—	(0)	(0)
(U.S. dollar)	519	—	3	3	4	—	0	0
(Euro)	169	—	(1)	(1)	1	—	(0)	(0)
(Canadian dollar)	—	—	—	—	—	—	—	—
(Others)	32	—	0	0	0	—	0	0
Bought	5,339	—	39	39	47	—	0	0
(U.S. dollar)	3,572	—	(7)	(7)	31	—	(0)	(0)
(Euro)	1,641	—	46	46	14	—	0	0
(Canadian dollar)	7	—	0	0	0	—	0	0
(Others)	117	—	0	0	1	—	0	0
Total				(63)				(0)

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

### iii) Stock-related

As of March 31,	Millions of Yen			
	2015			
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions				
Yen Stock index futures				
Sold	¥ —	¥—	¥—	¥—
Bought	1,059	—	(25)	(25)
Foreign currency-denominated stock index futures				
Bought	1,681	—	3	3
Total				(21)

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2016		2016		2016		2016	
	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Net gains (losses)
Exchange-traded transactions								
Yen Stock index futures								
Sold	¥ 274	¥—	¥ 4	¥ 4	\$ 2	\$—	\$0	\$0
Bought	1,824	—	21	21	16	—	0	0
Foreign currency-denominated stock index futures								
Bought	2,332	—	17	17	20	—	0	0
Total				43				0

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

### iv) Bond-related

No ending balance as of March 31, 2015 and 2016.



## Hedge accounting applied

### i) Interest-rate related

As of March 31,	Millions of Yen			
		2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥234,100	¥234,100	¥31,576
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	46,251	31,141	1,237
<b>Total</b>				<b>32,813</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
		2016			2016		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Insurance liabilities</b>	<b>¥233,900</b>	<b>¥233,900</b>	<b>¥59,067</b>	<b>\$2,075</b>	<b>\$2,075</b>	<b>\$524</b>
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Loans</b>	<b>28,948</b>	<b>18,948</b>	<b>922</b>	<b>256</b>	<b>168</b>	<b>8</b>
<b>Total</b>				<b>59,990</b>			<b>532</b>

### ii) Currency-related

As of March 31,	Millions of Yen			
		2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency-	¥2,354,756	¥ —	¥(70,919)
(U.S. dollar)	denominated bonds	2,010,069	—	(89,973)
(Euro)		196,339	—	10,404
(Australian dollar)		148,347	—	8,649
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency-	35,575	35,575	(4,800)
(Australian dollar)	denominated bonds	—	—	—
<b>Total</b>				<b>(75,719)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
		2016			2016		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting							
Foreign currency forward contracts							
Sold	<b>Foreign-currency- denominated bonds</b>	<b>¥2,123,031</b>	<b>¥ —</b>	<b>¥89,473</b>	<b>\$18,841</b>	<b>\$ —</b>	<b>\$794</b>
(U.S. dollar)		<b>1,808,792</b>	<b>—</b>	<b>86,840</b>	<b>16,052</b>	<b>—</b>	<b>770</b>
(Euro)		<b>182,880</b>	<b>—</b>	<b>1,773</b>	<b>1,623</b>	<b>—</b>	<b>15</b>
(Australian dollar)		<b>131,358</b>	<b>—</b>	<b>859</b>	<b>1,165</b>	<b>—</b>	<b>7</b>
Deferred hedge accounting							
Cross currency swaps							
(Euro)	<b>Foreign-currency- denominated bonds</b>	<b>35,575</b>	<b>35,575</b>	<b>(1,307)</b>	<b>315</b>	<b>315</b>	<b>(11)</b>
(Australian dollar)		<b>4,305</b>	<b>4,305</b>	<b>89</b>	<b>38</b>	<b>38</b>	<b>0</b>
Total				<b>88,255</b>			<b>783</b>

Note: The table does not include foreign currency derivative transactions regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen.

### iii) Stock-related

No ending balance as of March 31, 2015 and 2016.

### iv) Bond-related

No ending balance as of March 31, 2015 and 2016.

## 4. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,623,208 million and ¥1,440,683 million (U.S. \$12,785 million) as of March 31, 2015 and 2016, respectively.

## 5. Securities Borrowed

Assets that can be sold or resecured are marketable securities borrowed under borrowing agreements. These assets were held without disposal totaling ¥12,076 million (U.S. \$107 million) at fair value as of March 31, 2016.

## 6. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥4,586 million and ¥3,028 million (U.S. \$26 million) as of March 31, 2015 and 2016, respectively.

## 7. Equity Securities issued by Subsidiaries and Affiliates

The total amounts of equity securities issued by subsidiaries and affiliates were ¥287,687 million and ¥891,955 million (U.S. \$7,915 million) as of March 31, 2015 and 2016, respectively.

## 8. Loans

The aggregate amounts of risk-monitored loans, which comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥19,713 million and ¥20,172 million (U.S. \$179 million) as of March 31, 2015 and 2016, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2015 and 2016. The aggregate amounts of loans in arrears were ¥2,630 million and ¥3,722 million (U.S. \$33 million) as of March 31, 2015 and 2016, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets as of March 31, 2015 and 2016 were ¥44 million and ¥44 million (U.S. \$0 million), respectively, for loans to bankrupt borrowers, and ¥5 million and ¥1 million (U.S. \$0 million), respectively, 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 delinquent principal or interest for a certain period or for other reasons (hereafter, "non-accrual loans") and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the "Order for Enforcement of the Corporation Tax Act" (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

There were no loans in arrears for three months or longer as of March 31, 2015 and 2016.

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

The amounts of restructured loans were ¥17,083 million and ¥16,450 million (U.S. \$145 million) as of March 31, 2015 and 2016, respectively.

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.

## 9. Loan Commitments

The amounts of loan commitments outstanding were ¥24,386 million and ¥23,133 million (U.S. \$205 million) as of March 31, 2015 and 2016, respectively.

## 10. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥582,459 million and ¥567,414 million (U.S. \$5,035 million), and their fair values were ¥626,982 million and ¥641,946 million (U.S. \$5,697 million) as of March 31, 2015 and 2016, respectively. 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.

## 11. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥400,346 million and ¥401,947 million (U.S. \$3,567 million) as of March 31, 2015 and 2016, respectively.

## 12. Leased Assets

The Company holds some leased assets, such as computers and other equipment, in addition to the tangible and intangible fixed assets in the non-consolidated balance sheets.

## 13. Impairment of Fixed Assets

The details of the impairment losses on fixed assets of the Company are as follows:

### (1) Method for grouping the assets

The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.

For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

### (2) Description of impairment losses recognized

For the years ended March 31, 2015 and 2016, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value due to downturn of the real estate market. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the non-consolidated statements of income.

### (3) Details of fixed assets resulting in impairment losses

For the year ended March 31, 2015

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	2	¥ 206	¥ 3	¥ 210
Idle assets	62	2,531	3,554	6,085
Total	64	¥2,737	¥3,558	¥6,296

### For the year ended March 31, 2016

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	41	1,518	2,282	3,800
Total	41	¥1,518	¥2,282	¥3,800

## For the year ended March 31, 2016

Asset group	Millions of U.S. Dollars		
	Land	Buildings	Total
Real estate for non-insurance business	\$ —	\$ —	\$ —
Idle assets	13	20	33
Total	\$13	\$ 20	\$ 33

### (4) Calculation method of recoverable amounts

The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.09% and 2.03% for the years ended March 31, 2015 and 2016, respectively. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

## 14. Retirement Benefit Plans

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

### (1) Summary of the retirement benefit plans

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

### (2) Transfer to defined contribution plans

The Company transferred a certain portion of defined benefit corporate pension plans to defined contribution pension plans on July 1, 2014. As a result, other extraordinary losses of ¥1,669 million were recognized for the year ended March 31, 2015.

### (3) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	2016	2015
Method of attributing benefit to period of service	Benefit formula basis	Benefit formula basis
Amortization period for actuarial differences	10 years	10 years
Amortization period for past service cost	10 years	10 years

b. Changes in the retirement benefit obligations for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance at the beginning of the fiscal year	¥ 311,806	¥352,881	\$2,767
Service costs	11,053	11,299	98
Interest cost on retirement benefit obligations	2,806	2,948	24
Actuarial losses (gains) recognized	2,066	3,562	18
Benefits paid	(26,121)	(27,365)	(231)
Past service costs incurred	—	(4,139)	—
Others	—	(27,380)	—
Balance at the end of the fiscal year	¥ 301,611	¥311,806	\$2,676

c. Changes in the plan assets for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance at the beginning of the fiscal year	¥385,856	¥358,647	\$3,424
Expected return on plan assets	3,262	3,215	28
Actuarial gains (losses) recognized	(50,037)	49,161	(444)
Contributions by employer	9,698	10,083	86
Benefits paid	(10,024)	(10,598)	(88)
Others	—	(24,651)	—
Balance at the end of the fiscal year	¥338,755	¥385,856	\$3,006

d. The amount of the retirement benefit obligations and the plan assets, and the amount of the accrued retirement benefits and the prepaid pension cost recognized in the non-consolidated balance sheets as of March 31, 2015 and 2016 were determined as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Present value of funded retirement benefit obligations	¥300,471	¥310,551	\$2,666
Plan assets at fair value	(338,755)	(385,856)	(3,006)
Net present value of funded retirement benefit obligations	(38,283)	(75,305)	(339)
Present value of non-funded retirement benefit obligations	1,139	1,254	10
Unrecognized actuarial losses (gains)	(48,412)	(36,540)	(429)
Unrecognized past service costs	5,189	6,056	46
Accrued retirement benefits (Prepaid pension cost)	¥(80,366)	¥(104,534)	\$ (713)

e. The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Service costs	¥11,053	¥11,299	\$ 98
Interest cost on retirement benefit obligations	2,806	2,948	24
Expected return on plan assets	(3,262)	(3,215)	(28)
Amortization of net actuarial losses (gains)	40,232	10,866	357
Amortization of net past service costs	(866)	(782)	(7)
Others	—	1,669	—
Retirement benefit expenses	¥49,962	¥22,785	\$443

f. Plan assets

Plan assets as of March 31, 2015 and 2016 were comprised as follows:

As of March 31,	% of total fair value of plan assets	
	2016	2015
Debt securities	8.5%	8.2%
Stocks	39.2%	47.9%
General account of life insurance companies	29.4%	25.1%
Jointly invested assets	18.8%	17.1%
Cash and deposits	0.9%	1.1%
Others	3.2%	0.6%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 57.7% and 51.8% of total plan assets as of March 31, 2015 and 2016, respectively.

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

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

h. Assumptions used in calculation

Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	2016	2015
Discount rate	0.9%	0.9%
Expected long-term rate of return on plan assets		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%

#### (4) Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥828 million and ¥1,072 million (U.S. \$9 million) for the years ended March 31, 2015 and 2016, respectively.

#### 15. Reinsurance

As of March 31, 2015 and 2016, the amounts of reinsurance recoverable on reserve for outstanding claims, which is applied mutatis mutandis to Article 71, Paragraph 1 of the "Ordinance for Enforcement of the Insurance Business Act" pursuant to Article 73, Paragraph 3 of the ordinance (hereafter, "reinsurance recoverable on reserve for outstanding claims"), were ¥163 million and ¥52 million (U.S. \$0 million), respectively.

As of March 31, 2015 and 2016, the amounts of reinsurance recoverable on policy reserves pursuant to Article 71, Paragraph 1 of the "Ordinance for Enforcement of the Insurance Business Act" (hereafter, "reinsurance recoverable on policy reserves") were ¥5,727 million and ¥13,369 million (U.S. \$118 million), respectively.

#### 16. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Balance at the beginning of the fiscal year	¥253,414	¥270,023	\$ 2,248
Transfer from surplus in the previous fiscal year	180,044	158,094	1,597
Dividend payments to policyholders during the fiscal year	(192,857)	(175,209)	(1,711)
Interest accrued during the fiscal year	300	506	2
Balance at the end of the fiscal year	¥240,902	¥253,414	\$ 2,137

#### 17. Subordinated Bonds

As of March 31, 2016, bonds payable in liabilities are foreign currency-denominated subordinated bonds, the repayments of which are subordinated to other obligations.

## 18. Subordinated Debts

As of March 31, 2015 and 2016, loans payable are subordinated debts, the repayments of which are subordinated to other obligations.

In April 2016, the Company made a repayment of the subordinated debts in the amount of ¥100,000 million, prior to their maturity.

## 19. Accrued Retirement Benefits for Directors and Executive Officers

Accrued retirement benefits for directors and executive officers of the Company are provided based on a portion accrued for the period of the estimated payable amount.

In 2008, the Compensation Committee decided to terminate the retirement allowance scheme for directors and executive officers of the Company effective June 30, 2008. No provisions have been made for incumbent directors and executive officers since that date.

## 20. Reserve for Contingent Liabilities

Reserve for contingent liabilities of the Company is provided for the amount of estimated possible losses in the future with respect to the securitizations of loans and loan commitments outstanding pursuant to Article 24-4 of the "Ordinance for Enforcement of the Insurance Business Act."

## 21. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deferred tax assets	¥647,718	¥ 634,664	\$ 5,748
Valuation allowance for deferred tax assets	(2,313)	(3,753)	(20)
Subtotal	645,405	630,911	5,727
Deferred tax liabilities	(902,298)	(1,144,028)	(8,007)
Net deferred tax assets (liabilities)	(256,892)	(513,117)	(2,279)

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

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Deferred tax assets			
Policy reserves and other reserves	¥410,469	¥ 420,613	\$3,642
Reserve for price fluctuation	145,861	141,835	1,294
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	856,637	1,104,981	7,602

(2) The statutory tax rates were 30.73% and 28.80% for the years ended March 31, 2015 and 2016, respectively. Main factors in the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

Years ended March 31,	2016	2015
Policyholders' dividend reserves	(17.47)%	(15.30)%
Effects of changes in the income tax rate	7.20%	11.90%

(3) From the end of the year ended March 31, 2015, the statutory tax rates which are used to measure deferred tax assets and liabilities were changed from 30.73% to 28.80% in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 9 in 2015).

Due to this change, as of March 31, 2015, deferred tax liabilities in the non-consolidated balance sheets decreased by ¥34,385 million, deferred tax liabilities for land revaluation in the non-consolidated balance sheets decreased by ¥5,754 million, and deferred portion of income taxes in the non-consolidated statements of income increased by ¥43,023 million.

(4) From the end of the year ended March 31, 2016, the statutory tax rates which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the years ended March 31, 2017 and 2018, and to 27.96% for the year ended March 31, 2019 or later in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 15 in 2016).

Due to this change, as of March 31, 2016, deferred tax liabilities in the non-consolidated balance sheets decreased by ¥8,234 million (U.S. \$73 million), deferred tax liabilities for land revaluation in the non-consolidated balance sheets decreased by ¥2,467 million (U.S. \$21 million), and deferred portion of income taxes in the non-consolidated statements of income increased by ¥18,968 million (U.S. \$168 million).

## 22. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed foundation funds and also established for reserve for redemption of foundation funds pursuant to Article 56 of the "Insurance Business Act" in the amount of ¥60,000 million as of March 31, 2015.

The Company offered foundation funds in the amount of ¥60,000 million pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2015.

## 23. Net Assets stipulated by the "Ordinance for Enforcement of the Insurance Business Act"

The amounts of net assets pursuant to Article 30, Paragraph 2 of the "Ordinance for Enforcement of the Insurance Business Act" were ¥2,968,725 million and ¥2,447,012 million (U.S. \$21,716 million) as of March 31, 2015 and 2016, respectively.

## 24. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥864,990 million and ¥799,603 million (U.S. \$7,096 million) as of March 31, 2015 and 2016, respectively. The amounts of separate account liabilities were the same as these figures.

## 25. Monetary Receivable from and Payable to Subsidiaries and Affiliates

The total amounts of monetary receivable from and payable to subsidiaries and affiliates as of March 31, 2015 and 2016 were as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Monetary receivable	¥ 3,100	¥2,902	\$27
Monetary payable	3,983	4,017	35

## 26. Investment Income and Expenses

Major components of gains on sales of securities were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Domestic bonds including national government bonds	¥ 4	¥159,673	\$ 0
Domestic stocks	2,073	15,052	18
Foreign securities	6,337	11,470	56

Major components of losses on sales of securities were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Domestic bonds including national government bonds	¥ 21	¥ 1	\$ 0
Domestic stocks	472	353	4
Foreign securities	1,465	10	13

Major components of losses on valuation of securities were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Domestic bonds including national government bonds	¥ —	¥—	\$—
Domestic stocks	8,457	58	75
Foreign securities	4,333	—	38

Loss on derivative financial instruments included net valuation gains of ¥184,613 million for the year ended March 31, 2015 and net valuation losses of ¥52,055 million (U.S. \$461 million) for the year ended March 31, 2016.

## 27. Policy Reserves for Ceded Reinsurance

The amounts of provision for (reversal of) reinsurance recoverable on reserve for outstanding claims and reinsurance recoverable on policy reserves, which are deducted in calculating reversal of (provision for)

reserve for outstanding claims and policy reserves, for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 110	¥ 126	\$ 0
Provision for (reversal of) reinsurance recoverable on policy reserves	7,642	1,275	67

## 28. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥52,814 million and ¥52,265 million (U.S. \$463 million) as of March 31, 2015 and 2016, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

## 29. Transactions with Subsidiaries and Affiliates

The total amounts of income and expenses resulting from transactions with subsidiaries and affiliates for the years ended March 31, 2015 and 2016 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2016	2015	2016
Total income	¥11,942	¥11,623	\$105
Total expenses	32,932	31,217	292

## 30. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

## 31. Subsequent Events

### Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2016 was approved as planned at the annual meeting of the representatives of policyholders held on July 5, 2016.

### Offering of foundation funds

During the annual meeting of representatives of policyholders held on July 5, 2016, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥100,000 million during the year ending March 31, 2017.

# Independent Auditor's Report



## Independent Auditor's Report

To the Board of Directors of Meiji Yasuda Life Insurance Company:

We have audited the accompanying non-consolidated financial statements of Meiji Yasuda Life Insurance Company, which comprise the non-consolidated balance sheets as at March 31, 2015 and 2016, and the non-consolidated statements of income, the non-consolidated statements of changes in net assets and the non-consolidated proposed appropriation of surplus for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Meiji Yasuda Life Insurance Company as at March 31, 2015 and 2016, and its financial performance for the years then ended in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in conformity with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

*KPMG AZSA LLC*

KPMG AZSA LLC  
July 29, 2016  
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.