

# 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
	2017	2016	2017
<b>ASSETS:</b>			
Cash and deposits (Notes 3, 4, and 7)	¥ 505,583	¥ 481,381	\$ 4,506
Call loans (Note 3)	90,000	90,000	802
Monetary claims bought (Note 4)	220,118	223,659	1,962
Money held in trust (Note 4)	200	—	1
Securities (Notes 4, 5, 6, 7, and 8)	32,046,079	30,624,492	285,641
Loans (Notes 4, 7, 9, and 10)	5,422,653	5,634,123	48,334
Tangible fixed assets (Notes 11, 12, and 13)			
Land	617,501	617,463	5,504
Buildings	295,568	306,647	2,634
Leased assets	612	87	5
Construction in progress	3,239	1,667	28
Other tangible fixed assets	6,253	4,728	55
<b>Subtotal</b>	<b>923,175</b>	<b>930,595</b>	<b>8,228</b>
Intangible fixed assets			
Software	59,942	50,821	534
Goodwill (Note 26)	155,799	158,679	1,388
Other intangible fixed assets	301,615	317,643	2,688
<b>Subtotal</b>	<b>517,358</b>	<b>527,144</b>	<b>4,611</b>
Due from agents	1,592	1,831	14
Reinsurance receivables	120,163	115,877	1,071
Other assets	455,560	480,002	4,060
Net defined benefit assets (Note 14)	92,747	37,298	826
Deferred tax assets (Note 15)	2,498	2,485	22
Customers' liabilities under acceptances and guarantees	20,888	20,854	186
Allowance for possible loan losses	(5,848)	(5,457)	(52)
<b>Total assets</b>	<b>¥40,412,770</b>	<b>¥39,164,289</b>	<b>\$360,217</b>
<b>LIABILITIES:</b>			
Policy reserves and other reserves			
Reserve for outstanding claims	¥ 732,370	¥ 707,333	\$ 6,527
Policy reserves	33,332,707	32,842,168	297,109
Policyholders' dividend reserves (Note 16)	236,959	240,902	2,112
<b>Subtotal</b>	<b>34,302,037</b>	<b>33,790,403</b>	<b>305,749</b>
Due to agents	2,990	2,835	26
Reinsurance payables	815	832	7
Bonds payable	409,753	293,445	3,652
Other liabilities	531,235	478,051	4,735
Net defined benefit liabilities (Note 14)	8,769	12,447	78
Accrued retirement benefits for directors and executive officers (Note 19)	—	82	—
Reserve for contingent liabilities (Note 20)	1	1	0
Reserve for price fluctuation	578,227	522,116	5,153
Deferred tax liabilities (Note 15)	433,794	329,406	3,866
Deferred tax liabilities for land revaluation	79,910	82,137	712
Acceptances and guarantees	20,888	20,854	186
<b>Total liabilities</b>	<b>36,368,425</b>	<b>35,532,618</b>	<b>324,168</b>
<b>NET ASSETS:</b>			
Foundation funds (Note 21)	310,000	260,000	2,763
Reserve for redemption of foundation funds (Note 21)	520,000	470,000	4,634
Reserve for revaluation	452	452	4
Surplus	514,726	506,083	4,587
<b>Total funds, reserve and surplus</b>	<b>1,345,179</b>	<b>1,236,536</b>	<b>11,990</b>
Net unrealized gains on available-for-sale securities	2,542,572	2,291,022	22,663
Deferred unrealized gains on derivatives under hedge accounting	39,643	38,659	353
Land revaluation differences	117,025	119,894	1,043
Foreign currency translation adjustments	(19,750)	(26,190)	(176)
Remeasurements of defined benefit plans	15,701	(32,200)	139
<b>Total accumulated other comprehensive income</b>	<b>2,695,192</b>	<b>2,391,186</b>	<b>24,023</b>
Non-controlling interests	3,974	3,947	35
<b>Total net assets</b>	<b>4,044,345</b>	<b>3,631,671</b>	<b>36,049</b>
<b>Total liabilities and net assets</b>	<b>¥40,412,770</b>	<b>¥39,164,289</b>	<b>\$360,217</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
	2017	2016	2017
<b>ORDINARY INCOME:</b>			
<b>Insurance premiums and other</b>	¥2,866,387	¥3,381,621	\$25,549
<b>Investment income</b>			
Interest, dividends and other income	772,142	690,493	6,882
Gains on money held in trust	—	0	—
Gains on sales of securities	23,968	8,505	213
Gains on redemption of securities	57,323	88,701	510
Foreign exchange gains	—	154	—
Other investment income	2,175	892	19
Investment gains on separate accounts	15,807	—	140
<b>Subtotal</b>	<b>871,417</b>	<b>788,747</b>	<b>7,767</b>
<b>Other ordinary income</b>	<b>137,663</b>	<b>106,171</b>	<b>1,227</b>
<b>Total ordinary income</b>	<b>3,875,469</b>	<b>4,276,540</b>	<b>34,543</b>
<b>ORDINARY EXPENSES:</b>			
<b>Benefits and other payments</b>			
Claims paid	635,367	569,516	5,663
Annuity payments	697,062	696,036	6,213
Benefit payments	501,942	412,172	4,474
Surrender benefits	454,118	455,478	4,047
Other refunds	94,717	178,963	844
<b>Subtotal</b>	<b>2,383,208</b>	<b>2,312,168</b>	<b>21,242</b>
<b>Provision for policy reserves and other reserves</b>			
Provision for reserve for outstanding claims	7,151	1,866	63
Provision for policy reserves	324,535	898,470	2,892
Provision for interest on policyholders' dividend reserves (Note 16)	135	251	1
<b>Subtotal</b>	<b>331,822</b>	<b>900,587</b>	<b>2,957</b>
<b>Investment expenses</b>			
Interest expenses	29,114	6,288	259
Losses on sales of securities	32,216	1,967	287
Losses on valuation of securities	12,137	12,791	108
Losses on redemption of securities	4,433	37	39
Losses on derivative financial instruments	88,918	107,329	792
Foreign exchange losses	399	—	3
Provision for allowance for possible loan losses	1,801	664	16
Depreciation of real estate for non-insurance business	9,513	9,732	84
Other investment expenses	18,534	14,320	165
Investment losses on separate accounts	—	28,956	—
<b>Subtotal</b>	<b>197,070</b>	<b>182,088</b>	<b>1,756</b>
<b>Operating expenses (Note 23)</b>	<b>439,743</b>	<b>372,229</b>	<b>3,919</b>
<b>Other ordinary expenses</b>	<b>208,741</b>	<b>210,360</b>	<b>1,860</b>
<b>Total ordinary expenses</b>	<b>3,560,586</b>	<b>3,977,433</b>	<b>31,737</b>
<b>Ordinary profit</b>	<b>314,883</b>	<b>299,107</b>	<b>2,806</b>
<b>Extraordinary gains</b>			
Gains on disposals of fixed assets	2,045	2,614	18
Reversal of reserve for contingent liabilities	0	0	0
<b>Subtotal</b>	<b>2,045</b>	<b>2,615</b>	<b>18</b>
<b>Extraordinary losses</b>			
Losses on disposals of fixed assets	4,317	6,589	38
Impairment losses (Note 13)	3,152	3,807	28
Provision for reserve for price fluctuation	56,121	29,209	500
Losses on reduction entry of real estate	333	—	2
Contributions for promotion of social welfare project	582	553	5
Other extraordinary losses	1	—	0
<b>Subtotal</b>	<b>64,510</b>	<b>40,160</b>	<b>575</b>
<b>Surplus before income taxes and non-controlling interests</b>	<b>252,418</b>	<b>261,561</b>	<b>2,249</b>
<b>Income taxes (Note 15)</b>			
Current	38,003	54,641	338
Deferred	(10,193)	(7,706)	(90)
<b>Total income taxes</b>	<b>27,809</b>	<b>46,934</b>	<b>247</b>
<b>Net surplus</b>	<b>224,608</b>	<b>214,627</b>	<b>2,002</b>
<b>Net surplus attributable to non-controlling interests</b>	<b>878</b>	<b>528</b>	<b>7</b>
<b>Net surplus attributable to the Parent Company</b>	<b>¥ 223,730</b>	<b>¥ 214,099</b>	<b>\$ 1,994</b>

# Consolidated Statements of Comprehensive Income

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Years ended March 31,	Millions of Yen		Millions of
	2017	2016	2017
<b>Net surplus</b>	<b>¥224,608</b>	<b>¥ 214,627</b>	<b>\$2,002</b>
<b>Other comprehensive income (loss) (Note 25)</b>	<b>306,994</b>	<b>(580,454)</b>	<b>2,736</b>
Net unrealized gains (losses) on available-for-sale securities	250,844	(546,805)	2,235
Deferred unrealized gains (losses) on derivatives under hedge accounting	983	23,203	8
Land revaluation differences	—	2,506	—
Foreign currency translation adjustments	11,887	(36,574)	105
Remeasurements of defined benefit plans	47,977	(9,501)	427
Share of other comprehensive income (loss) of associates accounted for under the equity method	(4,699)	(13,283)	(41)
<b>Comprehensive income (loss)</b>	<b>¥531,602</b>	<b>¥(365,827)</b>	<b>\$4,738</b>
Comprehensive income (loss) attributable to the Parent Company	530,605	(366,188)	4,729
Comprehensive income (loss) attributable to non-controlling interests	997	361	8

# Consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

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

Year ended March 31, 2017

(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	¥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
Changes in the fiscal year													
Issuance of foundation funds	100,000				100,000								100,000
Additions to policyholders' dividend reserves (Note 16)				(165,707)	(165,707)								(165,707)
Additions to reserve for redemption of foundation funds		50,000			50,000								50,000
Payment of interest on foundation funds				(2,101)	(2,101)								(2,101)
Net surplus attributable to the Parent Company				223,730	223,730								223,730
Redemption of foundation funds	(50,000)				(50,000)								(50,000)
Reversal of reserve for fund redemption				(50,000)	(50,000)								(50,000)
Reversal of land revaluation differences				2,868	2,868								2,868
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(147)	(147)								(147)
Net changes, excluding funds, reserves and surplus						251,549	983	(2,868)	6,439	47,901	304,005	26	304,032
Net changes in the fiscal year	50,000	50,000	—	8,642	108,642	251,549	983	(2,868)	6,439	47,901	304,005	26	412,674
Ending balance	¥310,000	¥520,000	¥452	¥514,726	¥1,345,179	¥2,542,572	¥39,643	¥117,025	¥(19,750)	¥15,701	¥2,695,192	¥3,974	¥4,044,345

# Consolidated Statements of Changes in Net Assets (continued)

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries

Year ended March 31, 2017

(Millions of U.S. Dollars)

	Funds, reserves and surplus					Accumulated other comprehensive income (loss)							
	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	Total net assets
Beginning balance	\$2,317	\$4,189	\$4	\$4,510	\$11,021	\$20,420	\$344	\$1,068	\$(233)	\$(287)	\$21,313	\$35	\$32,370
Changes in the fiscal year													
Issuance of foundation funds	891				891								891
Additions to policyholders' dividend reserves (Note 16)				(1,477)	(1,477)								(1,477)
Additions to reserve for redemption of foundation funds		445			445								445
Payment of interest on foundation funds				(18)	(18)								(18)
Net surplus attributable to the Parent Company				1,994	1,994								1,994
Redemption of foundation funds	(445)				(445)								(445)
Reversal of reserve for fund redemption				(445)	(445)								(445)
Reversal of land revaluation differences				25	25								25
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(1)	(1)								(1)
Net changes, excluding funds, reserves and surplus						2,242	8	(25)	57	426	2,709	0	2,709
Net changes in the fiscal year	445	445	—	77	968	2,242	8	(25)	57	426	2,709	0	3,678
Ending balance	\$2,763	\$4,634	\$4	\$4,587	\$11,990	\$22,663	\$353	\$1,043	\$(176)	\$ 139	\$24,023	\$35	\$36,049

# 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
	2017	2016	2017
<b>I Cash flows from operating activities</b>			
Surplus before income taxes and non-controlling interests	¥ 252,418	¥ 261,561	\$ 2,249
Depreciation of real estate for non-insurance business	9,513	9,732	84
Depreciation	44,440	21,647	396
Impairment losses	3,152	3,807	28
Amortization of goodwill	6,773	—	60
Increase (Decrease) in reserve for outstanding claims	10,563	1,944	94
Increase (Decrease) in policy reserves	420,352	898,283	3,746
Provision for interest on policyholders' dividend reserves	135	251	1
Increase (Decrease) in allowance for possible loan losses	391	423	3
Increase (Decrease) in net defined benefit liabilities	(2,248)	67	(20)
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(82)	(9)	(0)
Increase (Decrease) in reserve for contingent liabilities	(0)	(0)	(0)
Increase (Decrease) in reserve for price fluctuation	56,121	29,209	500
Interest, dividends, and other income	(772,142)	(690,493)	(6,882)
Losses (Gains) on securities	1,739	168,606	15
Interest expenses	29,114	6,288	259
Foreign exchange losses (gains)	314	29	2
Losses (Gains) on tangible fixed assets	2,407	3,523	21
Investment losses (gains) on equity method	(664)	(1,920)	(5)
Decrease (Increase) in due from agents	244	49	2
Decrease (Increase) in reinsurance receivables	(1,464)	(173)	(13)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	53,346	(89,689)	475
Increase (Decrease) in due to agents	86	8	0
Increase (Decrease) in reinsurance payables	(16)	28	(0)
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	41,165	(53,926)	366
Others, net	10,822	24,571	96
<b>Subtotal</b>	<b>166,484</b>	<b>593,820</b>	<b>1,483</b>
Interest, dividends, and other income received	830,960	738,937	7,406
Interest paid	(28,393)	(3,283)	(253)
Policyholders' dividends paid	(169,832)	(192,857)	(1,513)
Income taxes paid	(23,230)	(123,357)	(207)
<b>Net cash provided by operating activities</b>	<b>775,989</b>	<b>1,013,259</b>	<b>6,916</b>
<b>II Cash flows from investing activities</b>			
Net decrease (increase) in deposits	21,082	(9,985)	187
Purchase of monetary claims bought	(36,100)	(19,800)	(321)
Proceeds from sales and redemption of monetary claims bought	38,734	26,155	345
Purchase of securities	(3,346,498)	(2,485,561)	(29,828)
Proceeds from sales and redemption of securities	2,256,783	1,762,429	20,115
Loans extended	(1,021,210)	(1,009,828)	(9,102)
Proceeds from collection of loans	1,243,234	1,110,671	11,081
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	95,952	(113,710)	855
<b>Total investment activities (IIa)</b>	<b>(748,021)</b>	<b>(739,629)</b>	<b>(6,667)</b>
<b>[I + IIa]</b>	<b>27,968</b>	<b>273,630</b>	<b>249</b>
Purchase of tangible fixed assets	(28,115)	(11,852)	(250)
Proceeds from sales of tangible fixed assets	13,549	15,702	120
Purchase of intangible fixed assets	(23,836)	(22,397)	(212)
Acquisition of stock of subsidiaries with change in scope of consolidation (Note 26)	—	(531,629)	—
Others, net	(452)	(2,627)	(4)
<b>Net cash used in investing activities</b>	<b>(786,877)</b>	<b>(1,292,434)</b>	<b>(7,013)</b>
<b>III Cash flows from financing activities</b>			
Proceeds from debt	—	150	—
Repayments of debt	(100,000)	(150)	(891)
Proceeds from issuance of bonds payable	114,204	235,514	1,017
Proceeds from issuance of foundation funds	100,000	—	891
Redemption of foundation funds	(50,000)	—	(445)
Payment of interest on foundation funds	(2,101)	(2,101)	(18)
Acquisition of stock of subsidiaries without change in scope of consolidation	(841)	(395)	(7)
Others, net	(5,822)	(294)	(51)
<b>Net cash provided by financing activities</b>	<b>55,439</b>	<b>232,722</b>	<b>494</b>
<b>IV Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>734</b>	<b>(45)</b>	<b>6</b>
<b>V Net increase (decrease) in cash and cash equivalents</b>	<b>45,286</b>	<b>(46,497)</b>	<b>403</b>
<b>VI Cash and cash equivalents at the beginning of the year</b>	<b>532,547</b>	<b>579,044</b>	<b>4,746</b>
<b>VII Cash and cash equivalents at the end of the year (Note 3)</b>	<b>¥ 577,833</b>	<b>¥ 532,547</b>	<b>\$ 5,150</b>

# 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, 2017, which was ¥112.19 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 17 and 17 as of March 31, 2016 and 2017, respectively. The consolidated subsidiaries as of March 31, 2017 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, 2016 and 2017 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 10 as of March 31, 2016 and 2017, respectively. The affiliates accounted for by the equity method as of March 31, 2017 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 materiality.

One affiliate of Thai Life Insurance Public Company Limited has been excluded from the scope of the equity method as of March 31, 2017, due to its decreased materiality.

One affiliate of TU Europa S.A. has been excluded from the scope of the equity method as of March 31, 2017, due to the sale of its shares.

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, 2016 (U.S. local time), the date of business combination, is used to prepare the consolidated financial statements as of March 31, 2016.

#### 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) Money held in trust

Money held in trust is stated at fair value.

#### (6) Derivative transactions

Derivative transactions are stated at fair value.

#### (7) 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;

-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.

#### (8) 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.

## (9) Software

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.

## (10) 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, 2016 and 2017 amounted to ¥46 million and ¥46 million (U.S. \$0 million), respectively.

## (11) 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 com-

pleted 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.

## (12) 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.

## (13) 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".

## (14) 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.

## (15) 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.

## (16) 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".

## (17) 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.

### (18) New accounting standards

“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 for the year ended March 31, 2016 and, as well, surplus at the end of the year decreased by ¥3,259 million.

### 3. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2016 and 2017 were as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Cash and deposits	<b>¥487,587</b>	¥442,303	<b>\$4,346</b>
Call loans	<b>90,000</b>	90,000	<b>802</b>
Money held in trust	<b>200</b>	—	<b>1</b>
Securities	<b>45</b>	243	<b>0</b>
Cash and cash equivalents	<b>¥577,833</b>	¥532,547	<b>\$5,150</b>

## 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.

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.

## (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		
	2017			2016			2017		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 505,583	¥ 505,583	¥ —	¥ 481,381	¥ 481,381	¥ —	\$ 4,506	\$ 4,506	\$ —
Available-for-sale securities (CDs)	49,996	49,996	—	23,998	23,998	—	445	445	—
Monetary claims bought	220,118	230,634	10,516	223,659	241,204	17,545	1,962	2,055	93
Held-to-maturity debt securities	197,150	207,666	10,516	195,380	212,925	17,545	1,757	1,851	93
Available-for-sale securities	22,968	22,968	—	28,278	28,278	—	204	204	—
Money held in trust	200	200	—	—	—	—	1	1	—
Available-for-sale securities	200	200	—	—	—	—	1	1	—
Securities	31,413,526	33,554,677	2,141,150	29,864,488	32,493,864	2,629,375	280,002	299,087	19,085
Trading securities	1,570,297	1,570,297	—	1,526,261	1,526,261	—	13,996	13,996	—
Held-to-maturity debt securities	4,540,468	5,354,192	813,723	4,680,863	5,654,681	973,818	40,471	47,724	7,253
Policy-reserve-matching bonds	7,250,615	8,578,042	1,327,426	7,162,085	8,817,642	1,655,556	64,627	76,459	11,831
Available-for-sale securities	18,052,144	18,052,144	—	16,495,277	16,495,277	—	160,906	160,906	—
Loans	5,422,653	5,727,460	304,807	5,634,123	5,963,967	329,844	48,334	51,051	2,716
Policy loans	264,389	264,389	—	278,719	278,719	—	2,356	2,356	—
Industrial and consumer loans	5,158,264	5,463,071	304,807	5,355,403	5,685,247	329,844	45,977	48,694	2,716
Allowance for possible loan losses <sup>(*)</sup>	(4,422)	—	—	(3,955)	—	—	(39)	—	—
	5,418,230	5,727,460	309,229	5,630,168	5,963,967	333,799	48,295	51,051	2,756
Bonds payable	409,753	439,662	29,908	293,445	325,435	31,990	3,652	3,918	266
Payables under securities borrowing transactions	130,034	130,034	—	—	—	—	1,159	1,159	—
Loans payable	—	—	—	100,000	100,000	—	—	—	—
Derivative financial instruments <sup>(**)</sup>	22,324	22,324	—	143,564	143,564	—	198	198	—
Hedge accounting is not applied	(366)	(366)	—	492	492	—	(3)	(3)	—
Hedge accounting is applied	22,691	22,691	—	143,071	143,071	—	202	202	—

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

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

Notes:

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."

### **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.

### **Money held in trust**

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 the jointly invested money held in trust with the same characteristics as deposits.

### **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 ¥760,003 million and ¥632,552 million (U.S. \$5,638 million) as of March 31, 2016 and 2017, respectively. Impairment losses on the unlisted stocks and others were ¥98 million and ¥34 million (U.S. \$0 million) for the years ended March 31, 2016 and 2017, 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 a price based on data provided by pricing vendors.

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.

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) amounted to ¥(59,656) million and ¥3,419 million (U.S. \$30 million) for the years ended March 31, 2016 and 2017, respectively.

### **Held-to-maturity debt securities**

Disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million resulting in total losses on sales of ¥350 million for the year ended March 31, 2016. No held-to-maturity debt securities were sold during the year ended March 31, 2017. 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		
	2017			2016			2017		
	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	¥3,837,880	¥4,568,480	¥730,600	¥3,907,176	¥4,778,510	¥871,334	\$34,208	\$40,720	\$6,512
2) Corporate bonds	575,168	651,759	76,590	654,758	750,528	95,769	5,126	5,809	682
3) Others	269,112	287,460	18,348	298,768	323,721	24,953	2,398	2,562	163
Total	4,682,161	5,507,700	825,539	4,860,703	5,852,760	992,056	41,734	49,092	7,358
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	934	917	(17)	621	618	(3)	8	8	(0)
2) Corporate bonds	2,800	2,780	(19)	—	—	—	24	24	(0)
3) Others	51,723	50,461	(1,262)	14,918	14,228	(689)	461	449	(11)
Total	55,457	54,158	(1,298)	15,540	14,847	(693)	494	482	(11)

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, 2016 and 2017.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2017			2016			2017		
	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	¥7,212,028	¥8,536,231	¥1,324,203	¥7,123,476	¥8,775,028	¥1,651,552	\$64,284	\$76,087	\$11,803
2) Corporate bonds	37,687	40,912	3,225	37,709	41,721	4,011	335	364	28
3) Others	—	—	—	—	—	—	—	—	—
Total	7,249,715	8,577,144	1,327,428	7,161,185	8,816,749	1,655,563	64,619	76,451	11,831
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	898	(1)	900	892	(7)	8	8	(0)
3) Others	—	—	—	—	—	—	—	—	—
Total	900	898	(1)	900	892	(7)	8	8	(0)

#### Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥106,957 million and ¥766,436 million (U.S. \$6,831 million) resulting in total gains on sales of ¥8,505 million and ¥23,968 million (U.S. \$213 million) and total losses of ¥1,617 million and ¥32,216 million (U.S. \$287 million) for

the years ended March 31, 2016 and 2017, 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		
	2017			2016			2017		
	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	¥ 1,573,734	¥ 3,927,201	¥2,353,466	¥ 1,515,661	¥ 3,317,853	¥1,802,192	\$14,027	\$ 35,004	\$20,977
(2) Bonds	4,708,985	5,166,736	457,750	4,791,138	5,333,851	542,712	41,973	46,053	4,080
1) National & local government bonds	3,432,103	3,812,161	380,057	3,538,179	3,994,223	456,043	30,591	33,979	3,387
2) Corporate bonds	1,276,882	1,354,574	77,692	1,252,958	1,339,628	86,669	11,381	12,073	692
(3) Others	4,890,844	5,702,478	811,633	4,239,269	5,146,013	906,743	43,594	50,828	7,234
Total	11,173,565	14,796,416	3,622,851	10,546,069	13,797,718	3,251,649	99,595	131,887	32,292
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	96,754	91,605	(5,149)	135,757	121,378	(14,378)	862	816	(45)
(2) Bonds	218,187	216,324	(1,862)	30,517	29,776	(741)	1,944	1,928	(16)
1) National & local government bonds	249	238	(10)	550	550	(0)	2	2	(0)
2) Corporate bonds	217,938	216,085	(1,852)	29,967	29,226	(741)	1,942	1,926	(16)
(3) Others	3,107,669	3,020,963	(86,706)	2,656,942	2,598,682	(58,260)	27,700	26,927	(772)
Total	3,422,611	3,328,892	(93,718)	2,823,217	2,749,836	(73,380)	30,507	29,671	(835)

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

With regards to bonds among available-for-sale securities denominated in foreign currencies, translation adjustments caused by significant yen appreciation are recorded in losses on valuation of securities.

Previously, the existence of "significant yen appreciation" had been determined based on the exchange rate at the end of fiscal year. The Company changed the method to make such determination based on the average exchange rate during the final month of the period from

the year ended March 31, 2017. This change had no impact on gains and losses for the year ended March 31, 2017.

"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 ¥8,358 million and ¥462 million (U.S. \$4 million) for the years ended March 31, 2016 and 2017, respectively.

#### c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen					
	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
Deposits	¥ 481,171	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	223,659
Loans*	581,335	928,243	592,073	571,511	791,828	1,888,797
Securities						
Held-to-maturity debt securities	70,578	292,108	353,517	371,596	768,374	2,823,265
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695
Available-for-sale securities with maturities	334,983	1,298,700	1,778,995	3,228,125	1,435,037	4,352,303
Total	1,468,069	2,519,052	2,771,249	4,397,287	3,104,914	16,067,720

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2017						2017					
	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	¥ 505,382	¥ —	¥ —	¥ —	¥ —	¥ —	\$ 4,504	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought	—	—	—	—	—	220,118	—	—	—	—	—	1,962
Money held in trust	200	—	—	—	—	—	1	—	—	—	—	—
Loans*	484,298	845,903	617,522	547,955	837,026	1,824,231	4,316	7,539	5,504	4,884	7,460	16,260
Securities												
Held-to-maturity debt securities	124,610	334,382	373,054	398,961	820,370	2,486,290	1,110	2,980	3,325	3,556	7,312	22,161
Policy-reserve-matching bonds	—	10,238	109,978	190,714	94,984	6,844,699	—	91	980	1,699	846	61,009
Available-for-sale securities with maturities	522,733	1,407,361	2,702,077	2,080,042	917,115	5,440,417	4,659	12,544	24,084	18,540	8,174	48,492
<b>Total</b>	<b>1,637,225</b>	<b>2,597,886</b>	<b>3,802,632</b>	<b>3,217,673</b>	<b>2,669,497</b>	<b>16,815,756</b>	<b>14,593</b>	<b>23,156</b>	<b>33,894</b>	<b>28,680</b>	<b>23,794</b>	<b>149,886</b>

\*Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they were ¥1,220 million and ¥1,305 million (U.S. \$11 million) as of March 31, 2016 and 2017, 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					
	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
Bonds payable	¥ —	¥—	¥—	¥29,543	¥—	¥263,901
Loans payable*	100,000	—	—	—	—	—
<b>Total</b>	<b>100,000</b>	<b>—</b>	<b>—</b>	<b>29,543</b>	<b>—</b>	<b>263,901</b>

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

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2017						2017					
	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	¥ —	¥—	¥—	¥30,120	¥—	¥379,632	\$ —	\$—	\$—	\$268	\$—	\$3,383
Payable under securities borrowing transactions	130,034	—	—	—	—	—	1,159	—	—	—	—	—
<b>Total</b>	<b>130,034</b>	<b>—</b>	<b>—</b>	<b>30,120</b>	<b>—</b>	<b>379,632</b>	<b>1,159</b>	<b>—</b>	<b>—</b>	<b>268</b>	<b>—</b>	<b>3,383</b>

#### e. Fair values of derivative transactions

##### Hedge accounting not applied

##### i) Interest-rate related

As of March 31,	Millions of Yen			
	2016			
	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)
Receipts floating, payments fixed	2,347	949	(1)	(1)
<b>Total</b>				<b>(2)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2017				2017			
	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	¥ 200	¥200	¥(5)	¥(5)	\$ 1	\$ 1	\$(0)	\$(0)
Receipts floating, payments fixed	1,555	—	0	0	13	—	0	0
<b>Total</b>				<b>(4)</b>				<b>(0)</b>

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



ii) Currency-related

As of March 31,	Millions of Yen			
	2016			
	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)
(U.S. dollar)	519	—	3	3
(British pound)	32	—	0	0
(Australian dollar)	12,226	—	(105)	(105)
(Others)	169	—	(1)	(1)
Bought	5,339	—	39	39
(U.S. dollar)	3,572	—	(7)	(7)
(Euro)	1,641	—	46	46
(Others)	125	—	0	0
Currency options				
Sold				
Call	—	—	—	—
(U.S. dollar)	[—]	—	—	—
Bought				
Put	—	—	—	—
(U.S. dollar)	[—]	—	—	—
<b>Total</b>				<b>(63)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2017				2017			
	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	¥118,008	¥—	¥592	¥592	\$1,051	\$—	\$5	\$5
(U.S. dollar)	106,347	—	575	575	947	—	5	5
(British pound)	6,979	—	(23)	(23)	62	—	(0)	(0)
(Australian dollar)	4,363	—	38	38	38	—	0	0
(Others)	317	—	1	1	2	—	0	0
Bought	11,993	—	38	38	106	—	0	0
(U.S. dollar)	11,742	—	40	40	104	—	0	0
(Euro)	146	—	(1)	(1)	1	—	(0)	(0)
(Others)	103	—	0	0	0	—	0	0
Currency options								
Sold								
Call	105,400	—	—	499	939	—	—	4
(U.S. dollar)	[499]	—	—	499	[4]	—	—	4
Bought								
Put	89,250	—	0	(499)	795	—	0	(4)
(U.S. dollar)	[499]	—	0	(499)	[4]	—	0	(4)
<b>Total</b>				<b>632</b>				<b>5</b>

Notes: 1. Net gains (losses) on foreign currency forward contracts represent the fair values, and net gains (losses) on currency options represent the difference between the option fees and the fair values for option transactions.  
2. Option fees are shown in [ ].

iii) Stock-related

As of March 31,	Millions of Yen			
	2016			
	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
Bought	1,824	—	21	21
Foreign currency-denominated stock index futures				
Sold	—	—	—	—
Bought	2,332	—	17	17
Exchange-traded transactions				
Stock index options				
Bought				
Call	53,254	—	515	(548)
	[1,063]			
<b>Total</b>				<b>(505)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2017				2017			
	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	¥ —	¥—	¥ —	¥ —	\$ —	\$—	\$—	\$—
Bought	2,192	—	(29)	(29)	19	—	(0)	(0)
Foreign currency-denominated stock index futures								
Sold	—	—	—	—	—	—	—	—
Bought	1,098	—	3	3	9	—	0	0
Exchange-traded transactions								
Stock index options								
Bought								
Call	54,480	—	1,439	349	485	—	12	3
	[1,090]				[9]			
<b>Total</b>				<b>323</b>				<b>2</b>

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

iv) Bond-related

No ending balance as of March 31, 2016 and 2017.

**Hedge accounting applied**

i) Interest-rate related

Millions of Yen				
As of March 31,	2016			
	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	¥233,900	¥233,900	¥59,067
Receipts floating, payments fixed	Bonds payable	28,754	28,754	(4,825)
Fair value hedge accounting				
Interest rate swaps				
Receipts floating, payments fixed	Securities (Bonds)	37,221	37,221	574
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	28,948	18,948	922
<b>Total</b>				<b>55,738</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
		2017			2017		
	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>¥232,600</b>	<b>¥232,600</b>	<b>¥51,026</b>	<b>\$2,073</b>	<b>\$2,073</b>	<b>\$454</b>
Receipts floating, payments fixed	<b>Bonds payable</b>	<b>29,460</b>	<b>29,460</b>	<b>384</b>	<b>262</b>	<b>262</b>	<b>3</b>
Fair value hedge accounting							
Interest rate swaps							
Receipts floating, payments fixed	<b>Securities (Bonds)</b>	<b>48,654</b>	<b>45,462</b>	<b>(483)</b>	<b>433</b>	<b>405</b>	<b>(4)</b>
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Loans</b>	<b>16,755</b>	<b>8,755</b>	<b>395</b>	<b>149</b>	<b>78</b>	<b>3</b>
<b>Total</b>				<b>51,322</b>			<b>457</b>

ii) Currency-related

Millions of Yen				
As of March 31,	2016			
	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-	¥2,123,031	¥ —	¥89,473
(U.S. dollar)	denominated bonds	1,808,792	—	86,840
(Euro)		182,880	—	1,773
(Australian dollar)		131,358	—	859
Deferred hedge accounting				
Cross currency swaps				
(Euro)	Foreign-currency-	35,575	35,575	(1,307)
(Australian dollar)	denominated bonds	4,305	4,305	89
<b>Total</b>				<b>88,255</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
		2017			2017		
	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>¥2,852,379</b>	<b>¥ —</b>	<b>¥(29,786)</b>	<b>\$25,424</b>	<b>\$ —</b>	<b>\$(265)</b>
(U.S. dollar)		2,560,560	—	(23,153)	22,823	—	(206)
(Euro)		168,759	—	(173)	1,504	—	(1)
(Australian dollar)		123,059	—	(6,459)	1,096	—	(57)
Deferred hedge accounting							
Cross currency swaps							
(Euro)	<b>Foreign-currency-denominated bonds</b>	<b>35,575</b>	<b>35,575</b>	<b>1,472</b>	<b>317</b>	<b>317</b>	<b>13</b>
(Australian dollar)		4,305	4,305	78	38	38	0
Total				<b>(28,235)</b>			<b>(251)</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, 2016 and 2017.

### iv) Bond-related

No ending balance as of March 31, 2016 and 2017.

## 5. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,440,683 million and ¥1,516,369 million (U.S. \$13,516 million) as of March 31, 2016 and 2017, 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 at fair value as of March 31, 2016.

## 7. Pledged Assets

Assets pledged as collateral were cash and deposits in the amount of ¥6,261 million and ¥1,144 million (U.S. \$10 million), securities in the amount of ¥5,096 million and ¥6,944 million (U.S. \$61 million), and loans in the amount of ¥40,311 million and ¥73,656 million (U.S. \$656 million) as of March 31, 2016 and 2017, respectively.

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

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥175,014 million and ¥166,644 million (U.S. \$1,485 million) as of March 31, 2016 and 2017, 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 ¥29,840 million and ¥31,398 million (U.S. \$279 million) as of March 31, 2016 and 2017, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2016 and 2017. The aggregate amounts of loans in arrears were ¥3,985 million and ¥4,362 million (U.S. \$38 million) as of March 31, 2016 and 2017, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2016 and 2017 were ¥44 million and ¥44 million (U.S. \$0 million), respectively, for loans to bankrupt borrowers, and ¥1 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.

The amounts of loans in arrears for three months or longer were ¥125 million as of March 31, 2016. There were no loans in arrears for three months or longer as of March 31, 2017.

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 ¥25,728 million and ¥27,036 million (U.S. \$240 million) as of March 31, 2016 and 2017, 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.

The certain overseas consolidated subsidiaries directly deducted allowance for possible loan losses from the assets in the consolidated balance sheets as of March 31, 2017. The amount is as follows:

Loans ¥775 million (U.S. \$6 million)

## 10. Loan Commitments

The amounts of loan commitments outstanding were ¥45,588 million and ¥57,464 million (U.S. \$512 million) as of March 31, 2016 and 2017, respectively.

## 11. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥582,778 million and ¥577,890 million (U.S. \$5,150 million), and their fair values were ¥669,136 million and ¥690,327 million (U.S. \$6,153 million) as of March 31, 2016 and 2017, 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 ¥409,136 million and ¥417,467 million (U.S. \$3,721 million) as of March 31, 2016 and 2017, 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 and certain consolidated subsidiaries group all the fixed assets held and utilized mainly for the 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, 2016 and 2017, 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. 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, 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, 2017

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	22	714	2,438	3,152
Total	22	¥714	¥2,438	¥3,152

## For the year ended March 31, 2017

Asset group	Millions of U.S. Dollars		
	Land	Buildings	Total
Real estate for non-insurance business	\$—	\$—	\$—
Idle assets	6	21	28
Total	\$ 6	\$21	\$28

## (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 mainly determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.03% and 1.97% for the years ended March 31, 2016 and 2017, 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) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
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, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	<b>¥373,704</b>	¥317,110	<b>\$3,330</b>
Service costs	<b>11,920</b>	11,225	<b>106</b>
Interest cost on retirement benefit obligations	<b>4,984</b>	2,935	<b>44</b>
Actuarial losses (gains) recognized	<b>(147)</b>	2,079	<b>(1)</b>
Benefits paid	<b>(30,372)</b>	(26,236)	<b>(270)</b>
Increase due to new consolidation	—	66,546	—
Others	<b>1,785</b>	42	<b>15</b>
Balance at the end of the fiscal year	<b>¥361,874</b>	¥373,704	<b>\$3,225</b>

c. Changes in the plan assets for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	<b>¥398,554</b>	¥390,372	<b>\$3,552</b>
Expected return on plan assets	<b>6,920</b>	3,433	<b>61</b>
Actuarial gains (losses) recognized	<b>42,103</b>	(50,245)	<b>375</b>
Contributions by employer	<b>12,102</b>	9,798	<b>107</b>
Benefits paid	<b>(15,195)</b>	(10,122)	<b>(135)</b>
Increase due to new consolidation	—	55,280	—
Others	<b>1,368</b>	38	<b>12</b>
Balance at the end of the fiscal year	<b>¥445,853</b>	¥398,554	<b>\$3,974</b>

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, 2016 and 2017 were determined as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Present value of funded retirement benefit obligations	<b>¥353,057</b>	¥365,218	<b>\$3,146</b>
Plan assets at fair value	<b>(445,853)</b>	(398,554)	<b>(3,974)</b>
Net present value of funded retirement benefit obligations	<b>(92,795)</b>	(33,336)	<b>(827)</b>
Present value of non-funded retirement benefit obligations	<b>8,816</b>	8,486	<b>78</b>
Net balance on the consolidated balance sheet	<b>(83,978)</b>	(24,850)	<b>(748)</b>
Consists of:			
Defined benefit liabilities	<b>8,769</b>	12,447	<b>78</b>
Defined benefit assets	<b>(92,747)</b>	(37,298)	<b>(826)</b>

e. The amounts recognized in retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Service costs	<b>¥11,920</b>	¥11,225	<b>\$106</b>
Interest cost on retirement benefit obligations	<b>4,984</b>	2,935	<b>44</b>
Expected return on plan assets	<b>(6,920)</b>	(3,433)	<b>(61)</b>
Amortization of net actuarial losses (gains)	<b>25,293</b>	40,288	<b>225</b>
Amortization of net past service costs	<b>(860)</b>	(860)	<b>(7)</b>
Others	<b>272</b>	74	<b>2</b>
Retirement benefit expenses	<b>¥34,690</b>	¥50,229	<b>\$309</b>

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, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Actuarial gains (losses)	<b>¥67,578</b>	¥(12,037)	<b>\$602</b>
Past service costs	<b>(858)</b>	(860)	<b>(7)</b>
Total	<b>¥66,719</b>	¥(12,898)	<b>\$594</b>

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Unrecognized actuarial gains (losses)	<b>¥17,826</b>	¥(49,751)	<b>\$158</b>
Unrecognized past service costs	<b>4,270</b>	5,129	<b>38</b>
Total	<b>¥22,097</b>	¥(44,622)	<b>\$196</b>

g. Plan assets

Plan assets as of March 31, 2016 and 2017 were comprised as follows:

As of March 31,	% of total fair value of plan assets	
	2017	2016
Debt securities	<b>6.4%</b>	8.1%
Stocks	<b>38.0%</b>	33.4%
General account of life insurance companies	<b>29.0%</b>	31.9%
Jointly invested assets	<b>21.0%</b>	22.6%
Cash and deposits	<b>1.4%</b>	0.7%
Others	<b>4.3%</b>	3.3%
Total	<b>100.0%</b>	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 44.0% and 48.3% of total plan assets as of March 31, 2016 and 2017, 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 and certain overseas consolidated subsidiaries used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
Discount rate		
Domestic	0.9%	0.9%
Overseas	4.3 to 4.4%	—
Expected long-term rate of return on plan assets		
Domestic		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%
Overseas	4.2 to 7.7%	—

### (3) Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥1,147 million and ¥2,382 million (U.S. \$21 million) for the years ended March 31, 2016 and 2017, 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
	2017	2016	2017
Deferred tax assets	¥ 686,498	¥ 700,506	\$ 6,119
Valuation allowance for deferred tax assets	(7,108)	(6,055)	(63)
Subtotal	679,389	694,451	6,055
Deferred tax liabilities	(1,110,685)	(1,021,373)	(9,900)
Net deferred tax assets (liabilities)	(431,295)	(326,921)	(3,844)

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

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred tax assets			
Policy reserves and other reserves	¥433,054	¥433,251	\$3,860
Reserve for price fluctuation	161,585	145,892	1,440
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	952,346	863,417	8,488

(2) The statutory tax rates were 28.80% and 28.20% for the years ended March 31, 2016 and 2017, 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,	2017	2016
Policyholders' dividend reserves	(18.32)%	(17.59)%
Effects of changes in the income tax rate	—	7.25%

(3) 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 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 of the Company in the consolidated balance sheet decreased by ¥8,234 million, deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥2,467 million, and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥18,968 million.

## 16. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	¥ 240,902	¥ 253,414	\$ 2,147
Transfer from surplus in the previous fiscal year	165,707	180,044	1,477
Dividend payments to policyholders during the fiscal year	(169,832)	(192,857)	(1,513)
Interest accrued during the fiscal year	182	300	1
Balance at the end of the fiscal year	¥ 236,959	¥ 240,902	\$ 2,112

## 17. Subordinated Bonds

As of March 31, 2016 and 2017, bonds payable in liabilities included foreign currency-denominated subordinated bonds of ¥263,901 million, and subordinated bonds and foreign currency-denominated subordinated bonds of ¥379,632 million (U.S. \$3,383 million), respectively, and the repayments of which are subordinated to other obligations.

## 18. Subordinated Debts

As of March 31, 2016, other liabilities included subordinated debts of ¥100,000 million, 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 as of March 31, 2016.

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 offered foundation funds in the amount of ¥100,000 million (U.S. \$891 million) pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2017.

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 ¥50,000 million (U.S. \$445 million) as of March 31, 2017.

## **22. Separate Accounts**

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥799,603 million and ¥809,841 million (U.S. \$7,218 million) as of March 31, 2016 and 2017, 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 ¥52,265 million and ¥49,705 million (U.S. \$443 million) as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
<b>Net unrealized gains on available-for-sale securities:</b>			
Amount arising during the fiscal year	¥325,627	¥(810,847)	\$2,902
Reclassification adjustments	22,889	5,220	204
Before income tax effect adjustments	348,517	(805,626)	3,106
Income tax effects	(97,672)	258,820	(870)
Net unrealized gains on available-for-sale securities	250,844	(546,805)	2,235
<b>Deferred unrealized gains (losses) on derivatives under hedge accounting:</b>			
Amount arising during the fiscal year	¥ 1,616	¥34,773	\$ 14
Reclassification adjustments	(1,155)	(3,106)	(10)
Before income tax effect adjustments	460	31,666	4
Income tax effects	523	(8,463)	4
Deferred unrealized gains (losses) on derivatives under hedge accounting	983	23,203	8
<b>Land revaluation differences:</b>			
Amount arising during the fiscal year	¥—	¥ —	\$—
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	—	2,506	—
Land revaluation differences	—	2,506	—
<b>Foreign currency translation adjustments:</b>			
Amount arising during the fiscal year	¥11,887	¥(36,574)	\$105
Reclassification adjustments	—	—	—
Before income tax effect adjustments	11,887	(36,574)	105
Income tax effects	—	—	—
Foreign currency translation adjustments	11,887	(36,574)	105
<b>Remeasurements of defined benefit plans:</b>			
Amount arising during the fiscal year	¥ 38,233	¥(47,115)	\$ 340
Reclassification adjustments	28,482	34,217	253
Before income tax effect adjustments	66,715	(12,898)	594
Income tax effects	(18,737)	3,397	(167)
Remeasurements of defined benefit plans	47,977	(9,501)	427
<b>Share of other comprehensive income of affiliates accounted for by the equity method:</b>			
Amount arising during the year	¥ (4,729)	¥ (13,388)	\$ (42)
Reclassification adjustments	29	105	0
Share of other comprehensive income of affiliates accounted for by the equity method	(4,699)	(13,283)	(41)
<b>Total other comprehensive income</b>	<b>¥306,994</b>	<b>¥(580,454)</b>	<b>\$2,736</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 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
Acquisition cost	¥599,410 million

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

Advisory fees and others	¥3,256 million
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### (5) Goodwill

#### i) Amount of goodwill

¥158,679 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
Securities included above "Total assets"	¥1,694,223 million
Total liabilities	¥2,534,399 million
Policy reserves and others included above "Total liabilities"	¥2,309,724 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
Ordinary profit	¥27,670 million
Net surplus attributable to the Parent Company	¥17,454 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
As of March 31,	2016
Assets	¥ 2,938,535
Securities included above "Assets"	1,694,223
Goodwill	158,679
Liabilities	(2,534,399)
Policy reserves and other reserves included above "Liabilities"	(2,309,724)
Foreign currency translation adjustments	36,595
Acquisition price of stock of subsidiaries	599,410
Cash and cash equivalents of subsidiaries	(67,780)
Net cash flow for the acquisition of stock of subsidiaries	¥ 531,629

**27. Subsequent Events**

***Appropriation of surplus***

The proposed appropriation of surplus of the Company for the year ended March 31, 2017 was approved as planned at the annual meeting of the representatives of policyholders held on July 4, 2017.

***Offering of foundation funds***

During the annual meeting of representatives of policyholders held on July 4, 2017, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million during the year ending March 31, 2018.

# 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, 2016 and 2017, 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, 2016 and 2017, and their financial performance and cash flows for the years then ended in accordance 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, 2017 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 28, 2017  
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
	2017	2016	2017
<b>ASSETS:</b>			
<b>Cash and deposits (Note 3)</b>			
Cash	¥ 196	¥ 205	\$ 1
Deposits	323,312	321,220	2,881
<b>Subtotal</b>	<b>323,509</b>	<b>321,425</b>	<b>2,883</b>
<b>Call loans</b>	<b>90,000</b>	<b>90,000</b>	<b>802</b>
<b>Monetary claims bought (Note 3)</b>	<b>220,118</b>	<b>223,659</b>	<b>1,962</b>
<b>Securities (Notes 3, 4, 5, 6, and 7)</b>			
National government bonds	14,309,347	14,358,321	127,545
Local government bonds	612,257	697,305	5,457
Corporate bonds	2,200,671	2,069,524	19,615
Domestic stocks	4,279,285	3,713,046	38,143
Foreign securities	8,703,539	8,053,941	77,578
Other securities	758,308	643,840	6,759
<b>Subtotal</b>	<b>30,863,410</b>	<b>29,535,980</b>	<b>275,099</b>
<b>Loans (Notes 3, 8, and 9)</b>			
Policy loans	260,726	275,085	2,323
Industrial and consumer loans	4,421,255	4,674,782	39,408
<b>Subtotal</b>	<b>4,681,981</b>	<b>4,949,867</b>	<b>41,732</b>
<b>Tangible fixed assets (Notes 10, 11, 12, and 13)</b>			
Land	602,976	602,923	5,374
Buildings	273,269	284,975	2,435
Construction in progress	2,252	1,516	20
Other tangible fixed assets	3,916	3,330	34
<b>Subtotal</b>	<b>882,414</b>	<b>892,746</b>	<b>7,865</b>
<b>Intangible fixed assets</b>			
Software	51,577	41,631	459
Other intangible fixed assets	25,400	31,169	226
<b>Subtotal</b>	<b>76,978</b>	<b>72,801</b>	<b>686</b>
<b>Due from agents</b>	—	30	—
<b>Reinsurance receivables</b>	<b>612</b>	<b>718</b>	<b>5</b>
<b>Other assets</b>			
Accounts receivable	118,710	102,552	1,058
Prepaid expenses	6,166	5,110	54
Accrued income	98,883	100,105	881
Money on deposit	9,287	8,358	82
Deposits for futures transactions	2,293	2,812	20
Margins on futures transactions	10	—	0
Derivative financial instruments (Note 3)	69,765	152,102	621
Cash collaterals pledged for financial instruments	19,198	10,400	171
Suspense	2,550	2,306	22
Other assets	9,699	9,940	86
<b>Subtotal</b>	<b>336,566</b>	<b>393,688</b>	<b>2,999</b>
<b>Prepaid pension cost (Note 14)</b>	<b>70,844</b>	<b>80,366</b>	<b>631</b>
<b>Customers' liabilities under acceptances and guarantees</b>	<b>20,888</b>	<b>20,854</b>	<b>186</b>
<b>Allowance for possible loan losses</b>	<b>(5,848)</b>	<b>(5,457)</b>	<b>(52)</b>
<b>Total assets</b>	<b>¥37,561,475</b>	<b>¥36,576,681</b>	<b>\$334,802</b>

# Non-consolidated Balance Sheets (continued)

Meiji Yasuda Life Insurance Company

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
<b>LIABILITIES:</b>			
<b>Policy reserves and other reserves</b>			
Reserve for outstanding claims (Note 15)	¥ 111,491	¥ 110,142	\$ 993
Policy reserves (Note 15)	31,383,201	31,060,996	279,732
Policyholders' dividend reserves (Note 16)	236,959	240,902	2,112
<b>Subtotal</b>	<b>31,731,653</b>	<b>31,412,041</b>	<b>282,838</b>
<b>Reinsurance payables</b>	<b>688</b>	<b>683</b>	<b>6</b>
<b>Bonds payable (Notes 3 and 17)</b>	<b>353,310</b>	<b>238,310</b>	<b>3,149</b>
<b>Other liabilities</b>			
Payables under securities borrowing transactions (Note 3)	130,034	—	1,159
Loans payable (Notes 3 and 18)	—	100,000	—
Accounts payable	52,973	41,938	472
Accrued expenses	28,891	29,694	257
Deferred income	2,408	2,530	21
Deposits received	27,584	25,054	245
Guarantee deposits received	33,399	32,191	297
Margins on futures transactions	—	49	—
Derivative financial instruments (Note 3)	48,780	4,799	434
Cash collaterals received for financial instruments	68,166	93,450	607
Asset retirement obligations	3,159	3,097	28
Suspense receipts	5,731	14,648	51
<b>Subtotal</b>	<b>401,130</b>	<b>347,455</b>	<b>3,575</b>
<b>Accrued retirement benefits for directors and executive officers (Note 19)</b>	<b>—</b>	<b>82</b>	<b>—</b>
<b>Reserve for contingent liabilities (Note 20)</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Reserve for price fluctuation</b>	<b>577,545</b>	<b>521,677</b>	<b>5,147</b>
<b>Deferred tax liabilities (Note 21)</b>	<b>338,745</b>	<b>256,892</b>	<b>3,019</b>
<b>Deferred tax liabilities for land revaluation</b>	<b>79,910</b>	<b>82,137</b>	<b>712</b>
<b>Acceptances and guarantees</b>	<b>20,888</b>	<b>20,854</b>	<b>186</b>
<b>Total liabilities</b>	<b>33,503,874</b>	<b>32,880,138</b>	<b>298,635</b>
<b>NET ASSETS:</b>			
<b>Foundation funds (Note 22)</b>	<b>310,000</b>	<b>260,000</b>	<b>2,763</b>
<b>Reserve for redemption of foundation funds (Note 22)</b>	<b>520,000</b>	<b>470,000</b>	<b>4,634</b>
<b>Reserve for revaluation</b>	<b>452</b>	<b>452</b>	<b>4</b>
<b>Surplus</b>	<b>538,395</b>	<b>519,529</b>	<b>4,798</b>
<b>Reserve for future losses</b>	<b>10,387</b>	<b>9,883</b>	<b>92</b>
<b>Other surplus</b>	<b>528,007</b>	<b>509,646</b>	<b>4,706</b>
Reserve for fund redemption	134,000	132,000	1,194
Fund for price fluctuation allowance	29,764	29,764	265
Reserve for promotion of social welfare project	18	48	0
Reserve for business infrastructure	100,000	100,000	891
Reserve for reduction entry of real estate	24,882	25,123	221
Special reserves	2,000	2,000	17
Other reserves	85	85	0
Unappropriated surplus	237,256	220,625	2,114
<b>Total funds, reserve and surplus</b>	<b>1,368,848</b>	<b>1,249,982</b>	<b>12,201</b>
<b>Net unrealized gains on available-for-sale securities</b>	<b>2,533,850</b>	<b>2,288,005</b>	<b>22,585</b>
<b>Deferred unrealized gains on derivatives under hedge accounting</b>	<b>37,876</b>	<b>38,659</b>	<b>337</b>
<b>Land revaluation differences</b>	<b>117,025</b>	<b>119,894</b>	<b>1,043</b>
<b>Total unrealized gains, revaluation reserves and adjustments</b>	<b>2,688,753</b>	<b>2,446,559</b>	<b>23,966</b>
<b>Total net assets</b>	<b>4,057,601</b>	<b>3,696,542</b>	<b>36,167</b>
<b>Total liabilities and net assets</b>	<b>¥37,561,475</b>	<b>¥36,576,681</b>	<b>\$334,802</b>

# Non-consolidated Statements of Income

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen		Millions of
	2017	2016	2017
<b>ORDINARY INCOME:</b>			
<b>Insurance premiums and other</b>			
Insurance premiums	¥2,614,768	¥3,357,042	\$23,306
Reinsurance revenue	1,104	816	9
<b>Subtotal</b>	<b>2,615,872</b>	<b>3,357,858</b>	<b>23,316</b>
<b>Investment income (Note 26)</b>			
Interest, dividends and other income	721,464	690,849	6,430
Interest on deposits	16	42	0
Interest and dividends on securities	591,340	554,603	5,270
Interest on loans	84,525	90,474	753
Rent revenue from real estate	35,023	34,861	312
Other interest and dividends	10,557	10,867	94
Gains on money held in trust	—	0	—
Gains on sales of securities	21,635	8,415	192
Gains on redemption of securities	56,692	88,701	505
Foreign exchange gains	—	153	—
Other investment income	468	24	4
Investment gains on separate accounts	15,807	—	140
<b>Subtotal</b>	<b>816,067</b>	<b>788,144</b>	<b>7,273</b>
<b>Other ordinary income</b>			
Income from annuity riders	15,339	15,004	136
Income from deferred benefits	87,184	66,906	777
Other ordinary income	7,738	7,540	68
<b>Subtotal</b>	<b>110,262</b>	<b>89,452</b>	<b>982</b>
<b>Total ordinary income</b>	<b>3,542,202</b>	<b>4,235,455</b>	<b>31,573</b>
<b>ORDINARY EXPENSES:</b>			
<b>Benefits and other payments</b>			
Claims paid	564,719	562,557	5,033
Annuity payments	695,207	695,922	6,196
Benefit payments	396,440	409,457	3,533
Surrender benefits	452,951	454,237	4,037
Other refunds	89,190	173,064	794
Reinsurance premiums	5,527	5,898	49
<b>Subtotal</b>	<b>2,204,036</b>	<b>2,301,138</b>	<b>19,645</b>
<b>Provision for policy reserves and other reserves</b>			
Provision for reserve for outstanding claims (Note 27)	1,348	1,659	12
Provision for policy reserves (Note 27)	322,205	896,366	2,871
Provision for interest on policyholders' dividend reserves (Note 16)	135	251	1
<b>Subtotal</b>	<b>323,690</b>	<b>898,277</b>	<b>2,885</b>
<b>Investment expenses (Note 26)</b>			
Interest expenses	11,307	6,217	100
Losses on sales of securities	32,078	1,959	285
Losses on valuation of securities	12,009	12,791	107
Losses on redemption of securities	4,423	37	39
Losses on derivative financial instruments	90,154	107,329	803
Foreign exchange losses	399	—	3
Provision for allowance for possible loan losses	459	664	4
Depreciation of real estate for non-insurance business	9,353	9,508	83
Other investment expenses	11,852	12,538	105
Investment losses on separate accounts	—	28,956	—
<b>Subtotal</b>	<b>172,037</b>	<b>180,002</b>	<b>1,533</b>

# Non-consolidated Statements of Income (continued)

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
<b>Operating expenses (Note 28)</b>	<b>350,389</b>	355,644	<b>3,123</b>
<b>Other ordinary expenses</b>			
Deferred benefit payments	108,264	120,001	965
Taxes	26,264	28,395	234
Depreciation	24,389	21,618	217
Provision for accrued retirement benefits	9,522	24,167	84
Other ordinary expenses	5,153	5,256	45
<b>Subtotal</b>	<b>173,594</b>	199,438	<b>1,547</b>
<b>Total ordinary expenses</b>	<b>3,223,747</b>	3,934,501	<b>28,734</b>
<b>Ordinary profit</b>	<b>318,455</b>	300,953	<b>2,838</b>
<b>Extraordinary gains</b>			
Gains on disposals of fixed assets	1,766	2,614	15
Reversal of reserve for contingent liabilities	0	0	0
<b>Subtotal</b>	<b>1,766</b>	2,615	<b>15</b>
<b>Extraordinary losses</b>			
Losses on disposals of fixed assets	4,261	6,584	37
Impairment losses (Note 13)	3,033	3,800	27
Provision for reserve for price fluctuation	55,868	29,195	497
Losses on reduction entry of real estate	333	—	2
Contributions for promotion of social welfare project	582	553	5
<b>Subtotal</b>	<b>64,079</b>	40,133	<b>571</b>
<b>Surplus before income taxes</b>	<b>256,141</b>	263,435	<b>2,283</b>
<b>Income taxes (Note 21)</b>			
Current	36,653	52,632	326
Deferred	(14,317)	(7,668)	(127)
Total income taxes	<b>22,336</b>	44,963	<b>199</b>
<b>Net surplus</b>	<b>¥ 233,805</b>	¥ 218,472	<b>\$ 2,084</b>

# Non-consolidated Statements of Changes in Net Assets

Meiji Yasuda Life Insurance Company

Year ended March 31, 2016

(Millions of Yen)

	Funds, reserves and surplus											Unrealized gains (losses), revaluation reserve and adjustments								
	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	Total net assets				
	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	Total funds, reserves and 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	¥2,268,005	¥38,659	¥119,894	¥2,446,559	¥3,696,542	

Year ended March 31, 2017

(Millions of Yen)

	Funds, reserves and surplus											Unrealized gains (losses), revaluation reserve and adjustments								
	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	Total net assets				
	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	Total funds, reserves and surplus						
Beginning 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	¥2,268,005	¥38,659	¥119,894	¥2,446,559	¥3,696,542	
Changes in the fiscal year																				
Issuance of foundation funds	100,000													100,000					100,000	
Additions to policyholders' dividend reserves (Note 16)													(165,707)	(165,707)	(165,707)				(165,707)	
Additions to reserve for future losses				504									(504)							
Additions to reserve for redemption of foundation funds		50,000												50,000					50,000	
Payment of interest on foundation funds													(2,101)	(2,101)	(2,101)				(2,101)	
Net surplus													233,805	233,805	233,805				233,805	
Redemption of foundation funds	(50,000)													(50,000)					(50,000)	
Additions to reserve for fund redemption					52,000								(52,000)							
Reversal of reserve for fund redemption					(50,000)								(50,000)	(50,000)					(50,000)	
Additions to reserve for promotion of social welfare project							553						(553)							
Reversal of reserve for promotion of social welfare project							(582)						582							
Additions to reserve for reduction entry of real estate									391				(391)							
Reversal of reserve for reduction entry of real estate									(631)				631							
Reversal of land revaluation differences													2,868	2,868	2,868				2,868	
Net changes, excluding funds, reserves and surplus																245,845	(783)	(2,868)	242,193	242,193
Net changes in the fiscal year	50,000	50,000	—	504	2,000	—	(29)	—	(240)	—	—	16,631	18,865	118,865	245,845	(783)	(2,868)	242,193	361,058	
Ending balance	¥310,000	¥520,000	¥452	¥10,387	¥134,000	¥29,764	¥18	¥100,000	¥24,882	¥2,000	¥85	¥237,256	¥538,395	¥1,368,848	¥2,533,850	¥37,876	¥117,025	¥2,688,753	¥4,057,601	



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

Meiji Yasuda Life Insurance Company

Year ended March 31, 2017

(Millions of U.S. Dollars)

	Funds, reserves and surplus												Unrealized gains (losses), revaluation reserve and adjustments							
	Surplus												Total funds, reserves and surplus	Total unrealized gains (losses), revaluation reserve and adjustments	Total net assets					
	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	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
Beginning balance	\$2,317	\$4,189	\$4	\$88	\$1,176	\$265	\$0	\$891	\$223	\$17	\$0	\$1,966	\$4,630	\$11,141	\$20,394	\$344	\$1,068	\$21,807	\$32,948	
Changes in the fiscal year																				
Issuance of foundation funds	891														891					891
Additions to policyholders' dividend reserves (Note 16)												(1,477)	(1,477)	(1,477)						(1,477)
Additions to reserve for future losses				4										(4)						
Additions to reserve for redemption of foundation funds		445													445					445
Payment of interest on foundation funds													(18)	(18)	(18)					(18)
Net surplus													2,084	2,084	2,084					2,084
Redemption of foundation funds	(445)														(445)					(445)
Additions to reserve for fund redemption					463										(463)					
Reversal of reserve for fund redemption					(445)										(445)					(445)
Additions to reserve for promotion of social welfare project								4							(4)					
Reversal of reserve for promotion of social welfare project								(5)							5					
Additions to reserve for reduction entry of real estate									3						(3)					
Reversal of reserve for reduction entry of real estate									(5)						5					
Reversal of land revaluation differences													25	25	25					25
Net changes, excluding funds, reserves and surplus																2,191	(6)	(25)	2,158	2,158
Net changes in the fiscal year	445	445	—	4	17	—	(0)	—	(2)	—	—	148	168	1,059	2,191	(6)	(25)	2,158	3,218	
Ending balance	\$2,763	\$4,634	\$4	\$92	\$1,194	\$265	\$0	\$891	\$221	\$17	\$0	\$2,114	\$4,798	\$12,201	\$22,585	\$337	\$1,043	\$23,966	\$36,167	

## Non-consolidated Proposed Appropriation of Surplus

Meiji Yasuda Life Insurance Company

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
<b>Unappropriated surplus</b>	<b>¥237,256</b>	¥220,625	<b>\$2,114</b>
<b>Reversal of voluntary surplus reserves:</b>	<b>2,245</b>	631	<b>20</b>
Reversal of reserve for reduction entry of real estate	2,245	631	20
<b>Total</b>	<b>239,502</b>	221,256	<b>2,134</b>
<b>Appropriation of surplus</b>	<b>239,502</b>	221,256	<b>2,134</b>
Provision for policyholders' dividend reserves	169,815	165,707	1,513
Net surplus	69,687	55,549	621
Reserve for future losses	515	504	4
Interest on foundation funds	1,846	2,101	16
Voluntary surplus reserves:	67,326	52,944	600
Reserve for fund redemption	62,000	52,000	552
Reserve for promotion of social welfare project	582	553	5
Reserve for reduction entry of real estate	4,743	391	42

# 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, 2017, which was ¥112.19 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
    - 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.
- 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.

### (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;
- 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, 2016 and 2017 amounted to ¥46 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, 2016 and 2017, 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.

## **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		
	2017			2016			2017		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 323,509	¥ 323,509	¥ —	¥ 321,425	¥ 321,425	¥ —	\$ 2,883	\$ 2,883	\$ —
Available-for-sale securities (CDs)	49,996	49,996	—	23,998	23,998	—	445	445	—
Monetary claims bought	220,118	230,634	10,516	223,659	241,204	17,545	1,962	2,055	93
Held-to-maturity debt securities	197,150	207,666	10,516	195,380	212,925	17,545	1,757	1,851	93
Available-for-sale securities	22,968	22,968	—	28,278	28,278	—	204	204	—
Securities	29,505,359	31,644,800	2,139,441	28,059,227	30,686,513	2,627,286	262,994	282,064	19,069
Trading securities	741,879	741,879	—	746,596	746,596	—	6,612	6,612	—
Held-to-maturity debt securities	4,518,170	5,330,185	812,014	4,659,686	5,631,416	971,729	40,272	47,510	7,237
Policy-reserve-matching bonds	7,250,615	8,578,042	1,327,426	7,162,085	8,817,642	1,655,556	64,627	76,459	11,831
Available-for-sale securities	16,994,693	16,994,693	—	15,490,858	15,490,858	—	151,481	151,481	—
Loans	4,681,981	4,976,601	294,619	4,949,867	5,278,744	328,877	41,732	44,358	2,626
Policy loans	260,726	260,726	—	275,085	275,085	—	2,323	2,323	—
Industrial and consumer loans	4,421,255	4,715,875	294,619	4,674,782	5,003,659	328,877	39,408	42,034	2,626
Allowance for possible loan losses <sup>(*)</sup>	(4,422)	—	—	(3,955)	—	—	(39)	—	—
	4,677,559	4,976,601	299,042	4,945,912	5,278,744	332,832	41,693	44,358	2,665
Bonds payable	353,310	383,459	30,149	238,310	270,300	31,990	3,149	3,417	268
Payables under securities borrowing transactions	130,034	130,034	—	—	—	—	1,159	1,159	—
Loans payable	—	—	—	100,000	100,000	—	—	—	—
Derivative financial instruments <sup>(*)</sup>	20,984	20,984	—	147,302	147,302	—	187	187	—
Hedge accounting is not applied	(1,806)	(1,806)	—	(20)	(20)	—	(16)	(16)	—
Hedge accounting is applied	22,790	22,790	—	147,323	147,323	—	203	203	—

(\*)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.

Notes:

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, 2016 and 2017 were as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Unlisted stocks and others	¥1,358,051	¥1,476,752	\$12,104
Equity securities issued by subsidiaries and affiliates	891,559	890,889	7,946

Impairment losses on the unlisted stocks and others except for equity securities issued by subsidiaries and affiliates were ¥98 million and ¥34 million (U.S. \$0 million) for the years ended March 31, 2016 and 2017, 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 a price based on data provided by pricing vendors.

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.

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) amounted to ¥(59,656) million and ¥3,419 million (U.S. \$30 million) for the years ended March 31, 2016 and 2017, respectively.

**Held-to-maturity debt securities**

Disposition of held-to-maturity debt securities due to considerable deterioration of the issuer's credit standing amounted to ¥4,650 million resulting in total losses on sales of ¥350 million for the year ended March 31, 2016. No held-to-maturity debt securities were sold during the year ended March 31, 2017. 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		
	2017			2016			2017		
	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	¥3,819,916	¥4,548,790	¥728,873	¥3,889,095	¥4,758,337	¥869,241	\$34,048	\$40,545	\$6,496
2) Corporate bonds	575,168	651,759	76,590	654,758	750,528	95,769	5,126	5,809	682
3) Others	269,112	287,460	18,348	298,768	323,721	24,953	2,398	2,562	163
Total	4,664,197	5,488,010	823,812	4,842,623	5,832,587	989,964	41,574	48,917	7,343
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	2,800	2,780	(19)	—	—	—	24	24	0
3) Others	48,323	47,061	(1,262)	12,444	11,755	(689)	430	419	(11)
Total	51,123	49,841	(1,281)	12,444	11,755	(689)	455	444	(11)

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 follow-

ing 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, 2016 and 2017.

As of March 31,	Millions of Yen						Millions of U.S. Dollars		
	2017			2016			2017		
	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	¥7,212,028	¥8,536,231	¥1,324,203	¥7,123,476	¥8,775,028	¥1,651,552	\$64,284	\$76,087	\$11,803
2) Corporate bonds	37,687	40,912	3,225	37,709	41,721	4,011	335	364	28
3) Others	—	—	—	—	—	—	—	—	—
Total	7,249,715	8,577,144	1,327,428	7,161,185	8,816,749	1,655,563	64,619	76,451	11,831
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	—	—	—	—	—	—	—	—	—
2) Corporate bonds	900	898	(1)	900	892	(7)	8	8	(0)
3) Others	—	—	—	—	—	—	—	—	—
Total	900	898	(1)	900	892	(7)	8	8	(0)

### Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥86,396 million and ¥709,394 million (U.S. \$6,323 million) resulting in total gains on sales of ¥8,415 million and ¥21,635 million (U.S. \$192 million) and total losses of ¥1,609 million and ¥32,078 million (U.S. \$285 million) for the years ended March 31, 2016 and 2017, 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		
	2017			2016			2017		
	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	¥ 1,573,628	¥ 3,927,005	¥2,353,377	¥ 1,515,554	¥ 3,317,732	¥1,802,177	\$14,026	\$ 35,003	\$20,976
(2) Bonds	4,662,842	5,119,499	456,657	4,744,251	5,285,472	541,220	41,562	45,632	4,070
1) National & local government bonds	3,394,352	3,773,363	379,011	3,491,392	3,945,944	454,551	30,255	33,633	3,378
2) Corporate bonds	1,268,490	1,346,136	77,646	1,252,858	1,339,527	86,668	11,306	11,998	692
(3) Others	4,385,774	5,177,901	792,127	4,216,928	5,121,887	904,959	39,092	46,152	7,060
Total	10,622,245	14,224,406	3,602,161	10,476,734	13,725,092	3,248,357	94,680	126,788	32,107
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	96,754	91,605	(5,149)	135,757	121,378	(14,378)	862	816	(45)
(2) Bonds	204,402	202,649	(1,753)	7,828	7,086	(741)	1,821	1,806	(15)
1) National & local government bonds	249	238	(10)	—	—	—	2	2	(0)
2) Corporate bonds	204,153	202,410	(1,743)	7,828	7,086	(741)	1,819	1,804	(15)
(3) Others	2,627,296	2,548,997	(78,299)	1,747,189	1,689,578	(57,610)	23,418	22,720	(697)
Total	2,928,453	2,843,251	(85,202)	1,890,774	1,818,043	(72,730)	26,102	25,343	(759)

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

With regards to bonds among available-for-sale securities denominated in foreign currencies, translation adjustments caused by significant yen appreciation are recorded in losses on valuation of securities. Previously, the existence of "significant yen appreciation" had been determined based on the exchange rate at the end of fiscal year. The Company changed the method to make such determination based on the average exchange rate during the final month of the period from

the year ended March 31, 2017. This change had no impact on gains and losses for the year ended March 31, 2017.

"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 ¥8,358 million and ¥334 million (U.S. \$2 million) for the years ended March 31, 2016 and 2017, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31,	Millions of Yen					
	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
Deposits	¥ 321,220	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	223,659
Loans*	563,111	893,532	560,817	551,759	755,220	1,348,727
Securities	318,432	1,373,259	2,029,070	3,614,158	2,133,003	13,788,523
Held-to-maturity debt securities	70,578	292,108	353,517	368,236	763,174	2,812,071
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695
Available-for-sale securities with maturities	247,853	1,081,150	1,628,890	3,019,868	1,260,155	4,196,757
<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>

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2017						2017					
	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	¥ 323,312	¥ —	¥ —	¥ —	¥ —	¥ —	\$ 2,881	\$ —	\$ —	\$ —	\$ —	\$ —
Monetary claims bought	—	—	—	—	—	220,118	—	—	—	—	—	1,962
Loans*	470,932	807,642	586,427	528,367	796,471	1,230,089	4,197	7,198	5,227	4,709	7,099	10,964
Securities	524,238	1,601,076	2,990,926	2,469,878	1,626,311	14,579,064	4,672	14,271	26,659	22,015	14,496	129,949
Held-to-maturity debt securities	124,610	334,382	371,346	395,496	814,796	2,474,738	1,110	2,980	3,309	3,525	7,262	22,058
Policy-reserve-matching bonds	—	10,238	109,978	190,714	94,984	6,844,699	—	91	980	1,699	846	61,009
Available-for-sale securities with maturities	399,628	1,256,455	2,509,601	1,883,667	716,530	5,259,626	3,562	11,199	22,369	16,789	6,386	46,881
<b>Total</b>	<b>1,318,483</b>	<b>2,408,718</b>	<b>3,577,353</b>	<b>2,998,245</b>	<b>2,422,782</b>	<b>16,029,271</b>	<b>11,752</b>	<b>21,469</b>	<b>31,886</b>	<b>26,724</b>	<b>21,595</b>	<b>142,876</b>

\*Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they were ¥1,220 million and ¥1,305 million (U.S. \$11 million) as of March 31, 2016 and 2017, 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					
	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
Bonds payable	¥ —	¥ —	¥ —	¥ —	¥ —	¥238,310
Loans payable*	100,000	—	—	—	—	—
<b>Total</b>	<b>100,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>238,310</b>

As of March 31,	Millions of Yen						Millions of U.S. Dollars					
	2017						2017					
	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	¥ —	¥ —	¥ —	¥ —	¥ —	¥353,310	\$ —	\$ —	\$ —	\$ —	\$ —	\$3,149
Payable under securities borrowing transactions	130,034	—	—	—	—	—	1,159	—	—	—	—	—
<b>Total</b>	<b>130,034</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>353,310</b>	<b>1,159</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,149</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			
	2016			
	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)
<b>Total</b>				<b>(0)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2017				2017			
	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	¥200	¥200	¥(5)	¥(5)	\$1	\$1	\$(0)	\$(0)
<b>Total</b>				<b>(5)</b>				<b>(0)</b>

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

ii) Currency-related

As of March 31,	Millions of Yen			
	2016			
	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)
(U.S. dollar)	519	—	3	3
(British pound)	32	—	0	0
(Australian dollar)	12,226	—	(105)	(105)
(Others)	169	—	(1)	(1)
Bought	5,339	—	39	39
(U.S. dollar)	3,572	—	(7)	(7)
(Euro)	1,641	—	46	46
(Others)	125	—	0	0
Currency options				
Sold				
Call	—	—	—	—
(U.S. dollar)	[—]	—	—	—
Bought				
Put	—	—	—	—
(U.S. dollar)	[—]	—	—	—
<b>Total</b>				<b>(63)</b>

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2017				2017			
	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	¥118,008	¥—	¥592	¥ 592	\$1,051	\$—	\$ 5	\$ 5
(U.S. dollar)	106,347	—	575	575	947	—	5	5
(British pound)	6,979	—	(23)	(23)	62	—	(0)	(0)
(Australian dollar)	4,363	—	38	38	38	—	0	0
(Others)	317	—	1	1	2	—	0	0
Bought	11,993	—	38	38	106	—	0	0
(U.S. dollar)	11,742	—	40	40	104	—	0	0
(Euro)	146	—	(1)	(1)	1	—	(0)	(0)
(Others)	103	—	0	0	0	—	0	0
Currency options								
Sold								
Call	105,400	—			939	—		
[U.S. dollar]	[499]	—		499	[4]	—		4
Bought	105,400	—			939	—		
[U.S. dollar]	[499]	—		499	[4]	—		4
Put	89,250	—			795	—		
[U.S. dollar]	[499]	—	0	(499)	[4]	—	0	(4)
Bought	89,250	—			795	—		
[U.S. dollar]	[499]	—	0	(499)	[4]	—	0	(4)
Total				632				5

Notes: 1. Net gains (losses) on foreign currency forward contracts represent the fair values, and net gains (losses) on currency options represent the difference between the option fees and the fair values for option transactions.  
2. Option fees are shown in [ ].

### iii) Stock-related

As of March 31,	Millions of Yen			
	2016			
	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
Bought	1,824	—	21	21
Foreign currency-denominated stock index futures				
Sold	—	—	—	—
Bought	2,332	—	17	17
Total				43

As of March 31,	Millions of Yen				Millions of U.S. Dollars			
	2017				2017			
	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	¥ —	¥—	¥—	¥—	\$—	\$—	\$—	\$—
Bought	2,192	—	(29)	(29)	19	—	(0)	(0)
Foreign currency-denominated stock index futures								
Sold	—	—	—	—	—	—	—	—
Bought	1,098	—	3	3	9	—	0	0
Total				(25)				(0)

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

iv) Bond-related

No ending balance as of March 31, 2016 and 2017.

**Hedge accounting applied**

i) Interest-rate related

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

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
	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
2017							
Deferred hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Insurance liabilities</b>	<b>¥232,600</b>	<b>¥232,600</b>	<b>¥51,026</b>	<b>\$2,073</b>	<b>\$2,073</b>	<b>\$454</b>
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	<b>Loans</b>	<b>16,755</b>	<b>8,755</b>	<b>395</b>	<b>149</b>	<b>78</b>	<b>3</b>
<b>Total</b>				<b>51,422</b>			<b>458</b>

ii) Currency-related

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

As of March 31,	Millions of Yen				Millions of U.S. Dollars		
	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
2017							
Fair value hedge accounting							
Foreign currency forward contracts							
Sold	<b>Foreign-currency-denominated bonds</b>	<b>¥2,852,379</b>	<b>¥ —</b>	<b>¥(29,786)</b>	<b>\$25,424</b>	<b>\$ —</b>	<b>\$(265)</b>
(U.S. dollar)		<b>2,560,560</b>	<b>—</b>	<b>(23,153)</b>	<b>22,823</b>	<b>—</b>	<b>(206)</b>
(Euro)		<b>168,759</b>	<b>—</b>	<b>(173)</b>	<b>1,504</b>	<b>—</b>	<b>(1)</b>
(Australian dollar)		<b>123,059</b>	<b>—</b>	<b>(6,459)</b>	<b>1,096</b>	<b>—</b>	<b>(57)</b>
Deferred hedge accounting							
Cross currency swaps							
(Euro)	<b>Foreign-currency-denominated bonds</b>	<b>35,575</b>	<b>35,575</b>	<b>1,472</b>	<b>317</b>	<b>317</b>	<b>13</b>
(Australian dollar)		<b>4,305</b>	<b>4,305</b>	<b>78</b>	<b>38</b>	<b>38</b>	<b>0</b>
<b>Total</b>				<b>(28,235)</b>			<b>(251)</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, 2016 and 2017.

iv) Bond-related

No ending balance as of March 31, 2016 and 2017.

#### 4. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,440,683 million and ¥1,516,369 million (U.S. \$13,516 million) as of March 31, 2016 and 2017, 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 at fair value as of March 31, 2016.

#### 6. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥3,028 million and ¥3,331 million (U.S. \$29 million) as of March 31, 2016 and 2017, respectively.

#### 7. Equity Securities issued by Subsidiaries and Affiliates

The total amounts of equity securities issued by subsidiaries and affiliates were ¥891,955 million and ¥892,181 million (U.S. \$7,952 million) as of March 31, 2016 and 2017, 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 ¥20,172 million and ¥20,066 million (U.S. \$178 million) as of March 31, 2016 and 2017, respectively.

There were no loans to bankrupt borrowers, and none as of March 31, 2016 and 2017. The aggregate amounts of loans in arrears were ¥3,722 million and ¥4,284 million (U.S. \$38 million) as of March 31, 2016 and 2017, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets as of March 31, 2016 and 2017 were ¥44 million and ¥44 million (U.S. \$0 million), respectively, for loans to bankrupt borrowers, and ¥1 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, 2016 and 2017.

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 ¥16,450 million and ¥15,781 million (U.S. \$140 million) as of March 31, 2016 and 2017, 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 ¥23,133 million and ¥29,320 million (U.S. \$261 million) as of March 31, 2016 and 2017, respectively.

#### 10. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥567,414 million and ¥562,987 million (U.S. \$5,018 million), and their fair values were ¥641,946 million and ¥665,227 million (U.S. \$5,929 million) as of March 31, 2016 and 2017, 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 ¥401,947 million and ¥409,454 million (U.S. \$3,649 million) as of March 31, 2016 and 2017, 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, 2016 and 2017, 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. 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, 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, 2017

Asset group	Number of properties impaired	Millions of Yen		
		Land	Buildings	Total
Real estate for non-insurance business	0	¥ —	¥ —	¥ —
Idle assets	17	714	2,319	3,033
Total	17	¥714	¥2,319	¥3,033

For the year ended March 31, 2017

Asset group	Millions of U.S. Dollars		
	Land	Buildings	Total
Real estate for non-insurance business	\$—	\$—	\$—
Idle assets	6	20	27
Total	\$ 6	\$20	\$27

### (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 2.03% and 1.97% for the years ended March 31, 2016 and 2017, 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) Defined benefit plans

a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
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, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	¥301,611	¥311,806	\$2,688
Service costs	10,658	11,053	94
Interest cost on retirement benefit obligations	2,714	2,806	24
Actuarial losses (gains) recognized	767	2,066	6
Benefits paid	(24,300)	(26,121)	(216)
Balance at the end of the fiscal year	¥291,451	¥301,611	\$2,597

c. Changes in the plan assets for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	¥338,755	¥385,856	\$3,019
Expected return on plan assets	3,265	3,262	29
Actuarial gains (losses) recognized	41,261	(50,037)	367
Contributions by employer	9,730	9,698	86
Benefits paid	(9,108)	(10,024)	(81)
Balance at the end of the fiscal year	¥383,905	¥338,755	\$3,421

d. The amount of the retirement benefit obligations and the plan assets, and the amount of the accrued retirement benefits and the pre-paid pension cost recognized in the non-consolidated balance sheets as of March 31, 2016 and 2017 were determined as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Present value of funded retirement benefit obligations	¥ 290,385	¥ 300,471	\$ 2,588
Plan assets at fair value	(383,905)	(338,755)	(3,421)
Net present value of funded retirement benefit obligations	(93,519)	(38,283)	(833)
Present value of non-funded retirement benefit obligations	1,066	1,139	9
Unrecognized actuarial losses (gains)	17,286	(48,412)	154
Unrecognized past service costs	4,322	5,189	38
Accrued retirement benefits (Prepaid pension cost)	¥ (70,844)	¥ (80,366)	\$ (631)

e. The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Service costs	¥10,658	¥11,053	\$ 94
Interest cost on retirement benefit obligations	2,714	2,806	24
Expected return on plan assets	(3,265)	(3,262)	(29)
Amortization of net actuarial losses (gains)	25,204	40,232	224
Amortization of net past service costs	(866)	(866)	(7)
Retirement benefit expenses	¥34,445	¥49,962	\$307

#### f. Plan assets

Plan assets as of March 31, 2016 and 2017 were comprised as follows:

As of March 31,	% of total fair value of plan assets	
	2017	2016
Debt securities	6.6%	8.5%
Stocks	44.1%	39.2%
General account of life insurance companies	26.3%	29.4%
Jointly invested assets	17.5%	18.8%
Cash and deposits	1.1%	0.9%
Others	4.4%	3.2%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 51.8% and 56.1% of total plan assets as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

Years ended March 31,	2017	2016
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%

### (3) Defined contribution plans

The amounts recognized as expenses for the defined contribution pension plans were ¥1,072 million and ¥1,065 million (U.S. \$9 million) for the years ended March 31, 2016 and 2017, respectively.

## 15. Reinsurance

As of March 31, 2016 and 2017, 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 ¥52 million and ¥9 million (U.S. \$0 million), respectively.

As of March 31, 2016 and 2017, 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 ¥13,369 million and ¥21,315 million (U.S. \$189 million), respectively.

## 16. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Balance at the beginning of the fiscal year	¥ 240,902	¥ 253,414	\$ 2,147
Transfer from surplus in the previous fiscal year	165,707	180,044	1,477
Dividend payments to policyholders during the fiscal year	(169,832)	(192,857)	(1,513)
Interest accrued during the fiscal year	182	300	1
Balance at the end of the fiscal year	¥ 236,959	¥ 240,902	\$ 2,112

## 17. Subordinated Bonds

As of March 31, 2016 and 2017, bonds payable in liabilities are foreign currency-denominated subordinated bonds, and subordinated bonds and foreign currency-denominated subordinated bonds, respectively, and the repayments of which are subordinated to other obligations.

## 18. Subordinated Debts

As of March 31, 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 as of March 31, 2016.

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
	2017	2016	2017
Deferred tax assets	¥ 653,540	¥ 647,718	\$ 5,825
Valuation allowance for deferred tax assets	(3,135)	(2,313)	(27)
Subtotal	650,404	645,405	5,797
Deferred tax liabilities	(989,150)	(902,298)	(8,816)
Net deferred tax assets (liabilities)	(338,745)	(256,892)	(3,019)

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

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Deferred tax assets			
Policy reserves and other reserves	¥409,795	¥410,469	\$3,652
Reserve for price fluctuation	161,481	145,861	1,439
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	942,376	856,637	8,399

(2) The statutory tax rates were 28.80% and 28.20% for the years ended March 31, 2016 and 2017, 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,	2017	2016
Policyholders' dividend reserves	(18.05)%	(17.47)%
Effects of changes in the income tax rate	—	7.20%

(3) 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, deferred tax liabilities for land revaluation in the non-consolidated balance sheets decreased by ¥2,467 million, and deferred portion of income taxes in the non-consolidated statements of income increased by ¥18,968 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 offered foundation funds in the amount of ¥100,000 million (U.S. \$891 million) pursuant to Article 60 of the "Insurance Business Act" in the year ended March 31, 2017.

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 ¥50,000 million (U.S. \$445 million) as of March 31, 2017.

## 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 ¥2,447,012 million and ¥2,689,205 million (U.S. \$23,970 million) as of March 31, 2016 and 2017, 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 ¥799,603 million and ¥809,841 million (U.S. \$7,218 million) as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

As of March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Monetary receivable	¥3,930	¥3,100	\$35
Monetary payable	3,701	3,983	32

## 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
	2017	2016	2017
Domestic bonds including national government bonds	¥ 523	¥ 4	\$ 4
Domestic stocks	3,976	2,073	35
Foreign securities	17,135	6,337	152

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

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Domestic bonds including national government bonds	¥ 362	¥ 21	\$ 3
Domestic stocks	605	472	5
Foreign securities	31,110	1,465	277

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

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Domestic stocks	¥ 366	¥8,457	\$ 3
Foreign securities	11,168	4,333	99

Loss on derivative financial instruments included net valuation losses of ¥52,055 million and ¥161,312 million (U.S. \$1,437 million) for the years ended March 31, 2016 and 2017, respectively.

## 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, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ 42	¥ 110	\$ 0
Provision for (reversal of) reinsurance recoverable on policy reserves	7,946	7,642	70

## 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 ¥52,265 million and ¥49,705 million (U.S. \$443 million) as of March 31, 2016 and 2017, 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, 2016 and 2017 were as follows:

Years ended March 31,	Millions of Yen		Millions of U.S. Dollars
	2017	2016	2017
Total income	¥17,732	¥11,942	\$158
Total expenses	34,668	32,932	309

## 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, 2017 was approved as planned at the annual meeting of the representatives of policyholders held on July 4, 2017.

### *Offering of foundation funds*

During the annual meeting of representatives of policyholders held on July 4, 2017, a resolution was passed to partially amend the Articles of Incorporation in connection with an issuance of foundation funds of ¥50,000 million during the year ending March 31, 2018.



# 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, 2016 and 2017, 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, 2016 and 2017, and its financial performance for the years then ended in accordance 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, 2017 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 28, 2017  
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.