[Unofficial translation]

May 26, 2016

Financial Results for the Fiscal Year Ended March 31, 2016

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the fiscal year ended March 31, 2016.

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Notes:
The Financial Results are summarized English translations of the original disclosure in Japanese.

1. Unaudited Consolidated Balance Sheets

(Millions of Yen)

	As of March 31	
	2015	2016
ASSETS:		
Cash and deposits	240,038	481,381
Call loans	368,000	90,000
Monetary claims bought	229,523	223,659
Securities	29,256,897	30,624,492
Loans	5,076,391	5,634,123
Tangible fixed assets	932,531	930,595
Land	621,684	617,463
Buildings	301,346	306,647
Leased assets	—	87
Construction in progress	6,045	1,667
Other tangible fixed assets	3,454	4,728
Intangible fixed assets	64,183	527,144
Software	37,788	50,821
Goodwill	—	158,679
Other intangible fixed assets	26,394	317,643
Due from agents	1,647	1,831
Reinsurance receivables	675	115,877
Other assets	317,794	480,002
Net defined benefit assets	74,345	37,298
Deferred tax assets	1,779	2,485
Customers' liabilities under acceptances and guarantees	20,848	20,854
Allowance for possible loan losses	(5,034)	(5,457)
Total assets	36,579,624	39,164,289

1. Unaudited Consolidated Balance Sheets (continued)

(Millions of Yen)

	As of March 31	
	2015	2016
LIABILITIES:		
Policy reserves and other reserves	30,592,941	33,790,403
Reserve for outstanding claims	114,465	707,333
Policy reserves	30,225,061	32,842,168
Policyholders' dividend reserves	253,414	240,902
Due to agents	9	2,835
Reinsurance payables	804	832
Bonds payable	―	293,445
Other liabilities	700,186	478,051
Net defined benefit liabilities	1,084	12,447
Accrued retirement benefits for directors and executive officers	92	82
Reserve for contingent liabilities	2	1
Reserve for price fluctuation	492,907	522,116
Deferred tax liabilities	504,535	329,406
Deferred tax liabilities for land revaluation	85,877	82,137
Acceptances and guarantees	20,848	20,854
Total liabilities	32,399,288	35,532,618
NET ASSETS:		
Foundation funds	260,000	260,000
Reserve for redemption of foundation funds	470,000	470,000
Reserve for revaluation	452	452
Surplus	472,533	506,083
Total funds, reserve and surplus	1,202,986	1,236,536
Net unrealized gains (losses) on available-for-sale securities	2,838,597	2,291,022
Deferred unrealized gains (losses) on derivatives under hedge accounting	15,456	38,659
Land revaluation differences	118,988	119,894
Foreign currency translation adjustments	22,894	(26,190)
Remeasurements of defined benefit plans	(22,862)	(32,200)
Total accumulated other comprehensive income	2,973,074	2,391,186
Non-controlling interests	4,274	3,947
Total net assets	4,180,335	3,631,671
Total liabilities and net assets	36,579,624	39,164,289

2. Unaudited Consolidated Statements of Income

(Millions of Yen)

	Years ended March 31	
	2015	2016
ORDINARY INCOME:	4,599,843	4,276,540
Insurance premiums and other	3,431,497	3,381,621
Investment income	1,030,435	788,747
Interest, dividends and other income	698,484	690,493
Gains on money held in trust	0	0
Gains on sales of securities	186,293	8,505
Gains on redemption of securities	58,075	88,701
Foreign exchange gains	―	154
Reversal of allowance for possible loan losses	2,875	―
Other investment income	899	892
Investment gains on separate accounts	83,806	―
Other ordinary income	137,909	106,171
ORDINARY EXPENSES:	4,213,375	3,977,433
Benefits and other payments	2,607,548	2,312,168
Claims paid	642,721	569,516
Annuity payments	849,963	696,036
Benefit payments	430,363	412,172
Surrender benefits	453,264	455,478
Other refunds	231,236	178,963
Provision for policy reserves and other reserves	955,765	900,587
Provision for reserve for outstanding claims	―	1,866
Provision for policy reserves	955,304	898,470
Provision for interest on policyholders' dividend reserves	461	251
Investment expenses	97,982	182,088
Interest expenses	3,368	6,288
Losses on sales of securities	365	1,967
Losses on valuation of securities	300	12,791
Losses on redemption of securities	―	37
Losses on derivative financial instruments	71,082	107,329
Foreign exchange losses	144	―
Provision for allowance for possible loan losses	―	664
Depreciation of real estate for non-insurance business	9,737	9,732
Other investment expenses	12,982	14,320
Investment losses on separate accounts	―	28,956
Operating expenses	361,559	372,229
Other ordinary expenses	190,519	210,360
Ordinary profit	386,468	299,107

2. Unaudited Consolidated Statements of Income (continued)

(Millions of Yen)

	Years ended March 31	
	2015	2016
Extraordinary gains	5,978	2,615
Gains on disposals of fixed assets	5,965	2,614
Reversal of reserve for contingent liabilities	12	0
Extraordinary losses	28,133	40,160
Losses on disposals of fixed assets	5,582	6,589
Impairment losses	6,344	3,807
Provision for reserve for price fluctuation	11,562	29,209
Losses on reduction entry of real estate	2,413	—
Contributions for promotion of social welfare project	552	553
Other extraordinary losses	1,678	—
Surplus before income taxes and non-controlling interests	364,312	261,561
Income taxes	98,564	46,934
Current	119,746	54,641
Deferred	(21,181)	(7,706)
Net surplus	265,747	214,627
Net surplus attributable to non-controlling interests	344	528
Net surplus attributable to the Parent Company	265,402	214,099

3. Unaudited Consolidated Statements of Comprehensive Income

(Millions of Yen)

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

4. Unaudited Consolidated Statements of Cash Flows

(Millions of Yen)

	Years ended March 31	
	2015	2016
I. Cash flows from operating activities		
Surplus before income taxes and non-controlling interests	364,312	261,561
Depreciation of real estate for non-insurance business	9,737	9,732
Depreciation	20,913	21,647
Impairment losses	6,344	3,807
Increase (Decrease) in reserve for outstanding claims	(5,715)	1,944
Increase (Decrease) in policy reserves	955,329	898,283
Provision for interest on policyholders' dividend reserves	461	251
Increase (Decrease) in allowance for possible loan losses	(3,101)	423
Increase (Decrease) in net defined benefit liabilities	20	67
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(90)	(9)
Increase (Decrease) in reserve for contingent liabilities	(12)	(0)
Increase (Decrease) in reserve for price fluctuation	11,562	29,209
Interest, dividends, and other income	(698,484)	(690,493)
Losses (Gains) on securities	(529,202)	168,606
Interest expenses	3,368	6,288
Foreign exchange losses (gains)	94	29
Losses (Gains) on tangible fixed assets	2,032	3,523
Investment losses (gains) on equity method	(2,005)	(1,920)
Decrease (Increase) in due from agents	(3)	49
Decrease (Increase) in reinsurance receivables	2,227	(173)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	(41,561)	(89,689)
Increase (Decrease) in due to agents	(8)	8
Increase (Decrease) in reinsurance payables	(2,225)	28
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	79,426	(53,926)
Others, net	(3,889)	24,571
Subtotal	169,530	593,820
Interest, dividends, and other income received	740,485	738,937
Interest paid	(3,328)	(3,283)
Policyholders' dividends paid	(175,209)	(192,857)
Income taxes paid	(150,147)	(123,357)
Net cash provided by operating activities	581,329	1,013,259

4. Unaudited Consolidated Statements of Cash Flows (continued)

(Millions of Yen)

	Years ended March 31	
	2015	2016
Ⅱ. Cash flows from investing activities		
Net decrease (increase) in deposits	(5,427)	(9,985)
Purchase of monetary claims bought	(21,500)	(19,800)
Proceeds from sales and redemption of monetary claims bought	25,777	26,155
Purchase of securities	(3,365,610)	(2,485,561)
Proceeds from sales and redemption of securities	3,295,992	1,762,429
Loans extended	(1,061,804)	(1,009,828)
Proceeds from collection of loans	1,145,247	1,110,671
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	(447,111)	(113,710)
Total investment activities (IIa)	(434,434)	(739,629)
[I + IIa]	146,895	273,630
Purchase of tangible fixed assets	(15,281)	(11,852)
Proceeds from sales of tangible fixed assets	11,764	15,702
Purchase of intangible fixed assets	(18,509)	(22,397)
Acquisition of stock of subsidiaries with change in scope of consolidation	―	(531,629)
Others, net	(1,249)	(2,627)
Net cash used in investing activities	(457,710)	(1,292,434)
Ⅲ. Cash flows from financing activities		
Proceeds from debt	663	150
Repayments of debt	(891)	(150)
Proceeds from issuance of bonds payable	―	235,514
Proceeds from issuance of foundation funds	60,000	―
Redemption of foundation funds	(60,000)	―
Payment of interest on foundation funds	(2,572)	(2,101)
Acquisition of stock of subsidiaries without change in scope of consolidation	―	(395)
Others, net	(255)	(294)
Net cash provided by (used in) financing activities	(3,056)	232,722
Ⅳ. Effect of foreign exchange rate changes on cash and cash equivalents	2,196	(45)
Ⅴ. Net increase (decrease) in cash and cash equivalents	122,759	(46,497)
Ⅵ. Cash and cash equivalents at the beginning of the year	456,284	579,044
Ⅶ. Cash and cash equivalents at the end of the year	579,044	532,547

5. Unaudited Consolidated Statements of Changes in Net Assets

(Millions of Yen)

Year ended March 31, 2015

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	260,000	410,000	452	432,095	1,102,548
Cumulative effects of changes in accounting policies				2,752	2,752
Beginning balance after reflecting accounting policy changes	260,000	410,000	452	434,848	1,105,301
Changes in the fiscal year					
Issuance of foundation funds	60,000				60,000
Additions to policyholders' dividend reserves				(158,094)	(158,094)
Additions to reserve for redemption of foundation funds		60,000			60,000
Payment of interest on foundation funds				(2,572)	(2,572)
Net surplus attributable to the Parent Company				265,402	265,402
Redemption of foundation funds	(60,000)				(60,000)
Reversal of reserve for fund redemption				(60,000)	(60,000)
Reversal of land revaluation differences				(7,051)	(7,051)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	—	60,000	—	37,684	97,684
Ending balance	260,000	470,000	452	472,533	1,202,986

	Accumulated other comprehensive income (loss)							
	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	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,894,717
Cumulative effects of changes in accounting policies								2,752
Beginning balance after reflecting accounting policy changes	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,897,470
Changes in the fiscal year								
Issuance of foundation funds								60,000
Additions to policyholders' dividend reserves								(158,094)
Additions to reserve for redemption of foundation funds								60,000
Payment of interest on foundation funds								(2,572)
Net surplus attributable to the Parent Company								265,402
Redemption of foundation funds								(60,000)
Reversal of reserve for fund redemption								(60,000)
Reversal of land revaluation differences								(7,051)
Net changes, excluding funds, reserves and surplus	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,185,179
Net changes in the fiscal year	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,282,864
Ending balance	2,838,597	15,456	118,988	22,894	(22,862)	2,973,074	4,274	4,180,335

5. Unaudited Consolidated Statements of Changes in Net Assets (continued)

(Millions of Yen)

Year ended March 31, 2016

	Funds, reserves and surplus				
	Foundation funds	Reserve for redemption of foundation funds	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	260,000	470,000	452	472,533	1,202,986
Changes in the fiscal year					
Additions to policyholders' dividend reserves				(180,044)	(180,044)
Payment of interest on foundation funds				(2,101)	(2,101)
Net surplus attributable to the Parent Company				214,099	214,099
Reversal of land revaluation differences				1,599	1,599
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(2)	(2)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	—	—	—	33,550	33,550
Ending balance	260,000	470,000	452	506,083	1,236,536

	Accumulated other comprehensive income (loss)							
	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	2,838,597	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								(180,044)
Payment of interest on foundation funds								(2,101)
Net surplus attributable to the Parent Company								214,099
Reversal of land revaluation differences								1,599
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests								(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	(547,575)	23,203	906	(49,084)	(9,337)	(581,887)	(326)	(548,664)
Ending balance	2,291,022	38,659	119,894	(26,190)	(32,200)	2,391,186	3,947	3,631,671

Notes to the Consolidated Financial Statements

1. Basis of Presentation

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

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

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

a. Consolidated subsidiaries

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

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

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

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

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

b. Affiliates

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

Founder Meiji Yasuda Life Insurance Co., Ltd. (China)
PT Avrist Assurance (Indonesia)
TU Europa S.A. (Poland)
TUiR Warta S.A. (Poland)
Thai Life Insurance Public Company Limited (Thailand)

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

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

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

c. Fiscal year-end of consolidated subsidiaries

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

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

The Company applies the fair value method.

e. Goodwill on consolidation

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

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

(2) Cash and cash equivalents

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

(3) Securities

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

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

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

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

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

e. Available-for-sale securities
i) Securities of which market value is readily available
Stocks are stated at the average of the market value during the final month of the fiscal year. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

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

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

(4) Policy-reserve-matching bonds

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

(5) Derivative transactions

Derivative transactions are stated at fair value.

(6) Method of hedge accounting

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

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

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

(7) Tangible fixed assets

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

a. Buildings
   Calculated using the straight-line method.

b. Other tangible fixed assets
   Calculated using the declining-balance method.

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

The estimated useful lives of major items are as follows:

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

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

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

<u>Revaluation of land</u>

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

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

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

(8) 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.

(9) Allowance for possible loan losses

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

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

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

For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company’s actual default experience for a certain period in the past.

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

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

(10) Policy reserves

Policy reserves of the Company are provided pursuant to Article 116 of the “Insurance Business Act”.

Premium reserves, a main component of policy reserves, are calculated according to the following method:

a. For contracts that are subject to the standard policy reserve requirements, the premium reserves are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).

b. For contracts that are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

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

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

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

(11) Net defined benefit liabilities and assets

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

(12) Reserve for price fluctuation

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

(13) Revenue recognition

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

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

(14) Policy acquisition costs

Policy acquisition costs of the Company are expensed when incurred.

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

(15) Accounting for consumption taxes

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

(16) Foreign currency translation

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

(17) New accounting standards

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

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

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

b. "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013; hereafter the "Business Combinations Accounting Standard"), "Revised Accounting

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

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

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

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

3. Cash and Cash Equivalents

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

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

4. Financial Instruments

(1) Qualitative information on financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.
(*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

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

i) Assets

Cash and deposits

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

Monetary claims bought

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

Securities

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

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

Loans

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

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

ii) Liabilities

Bonds payable

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

Payables under securities borrowing transactions

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

Loans payable

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

iii) Derivative financial instruments

Listed transactions

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

OTC transactions

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

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

Interest rate swap transactions

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

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

b. Securities by holding purpose

Trading securities

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

Held-to-maturity debt securities

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

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

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

Policy-reserve-matching bonds

The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following table, along with their fair values and the differences between these amounts. No policy-reserve-matching bonds were sold during the years ended March 31, 2015 and 2016.

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

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥1,477,320 million and ¥106,957 million (U.S. $949 million) resulting in total gains on sales of ¥186,293 million and ¥8,505 million (U.S. $75 million) and total losses of ¥365 million and ¥1,617 million (U.S. $14 million) for the years ended March 31, 2015 and 2016, respectively. With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

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

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.

“Acquisition or amortized costs” in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is readily available amounted to ¥46 million and ¥8,358 million (U.S. $74 million) for the years ended March 31, 2015 and 2016, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31	Millions of Yen					
	2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥239,805	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought	—	—	—	—	—	229,523
Loans*	516,245	975,185	759,328	482,999	718,850	1,329,301
Securities						
Held-to-maturity debt securities	341,727	201,812	336,574	374,435	591,132	3,219,663
Policy-reserve-matching bonds	—	—	10,397	101,336	196,296	6,512,661
Available-for-sale securities with maturities	144,144	695,854	1,474,531	2,660,504	1,851,302	4,389,059
Total	1,241,923	1,872,851	2,580,831	3,619,276	3,357,581	15,680,208

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2016						2016					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥481,171	¥ —	¥ —	¥ —	¥ —	¥ —	$4,270	$ —	$ —	$ —	$ —	$ —
Monetary claims bought	—	—	—	—	—	223,659	—	—	—	—	—	1,984
Loans*	581,335	928,243	592,073	571,511	791,828	1,888,797	5,159	8,237	5,254	5,071	7,027	16,762
Securities												
Held-to-maturity debt securities	70,578	292,108	353,517	371,596	768,374	2,823,265	626	2,592	3,137	3,297	6,819	25,055
Policy-reserve-matching bonds	—	—	46,663	226,053	109,673	6,779,695	—	—	414	2,006	973	60,167
Available-for-sale securities with maturities	334,983	1,298,700	1,778,995	3,228,125	1,435,037	4,352,303	2,972	11,525	15,788	28,648	12,735	38,625
Total	1,468,069	2,519,052	2,771,249	4,397,287	3,104,914	16,067,720	13,028	22,355	24,593	39,024	27,555	142,596

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

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

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

As of March 31	Millions of Yen 2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥220,000	¥ —	¥ —	¥ —	¥ —	¥ —
Loans payable	—	—	—	100,000	—	—
Total	220,000	—	—	100,000	—	—

As of March 31	Millions of Yen 2016						Millions of U.S. Dollars 2016					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Bonds payable	¥ —	¥ —	¥ —	¥ 29,543	¥ —	¥263,901	$ —	$ —	$ —	$262	$ —	$2,342
Loans payable*	100,000	—	—	—	—	—	887	—	—	—	—	—
Total	100,000	—	—	29,543	—	263,901	887	—	—	262	—	2,342

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

e. Fair values of derivative transactions

Hedge accounting not applied
i) Interest-rate related

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

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

(*) Net gains (losses) represent the fair values.

ii) Currency-related

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

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

(*) Net gains (losses) represent the fair values.

iii) Stock-related

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

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

(*) Option fees are shown in [ ].

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

iv) Bond-related

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

Hedge accounting applied

i) Interest-rate related

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

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

ii) Currency-related

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

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

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

iii) Stock-related
No ending balance as of March 31, 2015 and 2016.

iv) Bond-related
No ending balance as of March 31, 2015 and 2016.

5. Securities Lending

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

6. Securities Borrowed

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

7. Pledged Assets

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

8. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

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

9. Loans

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

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

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2015 and 2016 were ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥5 million and ¥1 million (U.S. $0 million), respectively, for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquent principal or interest for a certain period or for other reasons (hereafter, “non-accrual loans”) and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the “Order for Enforcement of the Corporation Tax Act” (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

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

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

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

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

10. Loan Commitments

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

11. Fair Values of Investment and Rental Property

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

12. Accumulated Depreciation

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

13. Impairment of Fixed Assets

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

(1) Method for grouping the assets
The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.
For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

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

(3) Details of fixed assets resulting in impairment losses

For the year ended March 31, 2015

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

For the year ended March 31, 2016

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

For the year ended March 31, 2016

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

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

14. Retirement Benefit Plans

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

(1) Summary of the retirement benefit plans
The Company has defined benefit corporate pension plans and retirement allowance plans, which distribute a lump sum payment on retirement, as defined benefit plans. The Company also has defined contribution pension plans as defined contribution plans.

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

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

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

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

Years ended March 31	2015	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, 2015 and 2016 were as follows:

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

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

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

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

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

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

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

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

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

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

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

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

g. Plan assets

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

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

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

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

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

Years ended March 31	**2015**	**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%

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

15. Deferred Taxes

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

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

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

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

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

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

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

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

(4) From the end of the year ended March 31, 2016, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 28.80% to 28.20% for the 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 (U.S. $73 million), deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥2,467 million (U.S. $21 million), and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥18,968 million (U.S. $168 million).

16. Policyholders' Dividend Reserves

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

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

17. Subordinated Bonds

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

18. Subordinated Debts

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

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

19. Accrued Retirement Benefits for Directors and Executive Officers

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

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

20. Reserve for Contingent Liabilities

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

21. Foundation Funds

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

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

The Company offered foundation funds in the amount of ¥60,000 million pursuant to

Article 60 of the “Insurance Business Act” in the year ended March 31, 2015.

22. Separate Accounts

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

23. Contributions to the Life Insurance Policyholders Protection Corporation

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

These contributions are recognized as operating expenses when contributed.

24. Income Taxes

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

25. Other Comprehensive Income

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

		Millions of Yen	Millions of U.S. Dollars
Years ended March 31	**2015**	**2016**	**2016**
Net unrealized gains on available-for-sale securities:			
Amount arising during the fiscal year	¥ 1,657,722	¥ (810,847)	$(7,196)
Reclassification adjustments	(184,502)	5,220	46
Before income tax effect adjustments	1,473,219	(805,626)	(7,149)
Income tax effects	(375,970)	258,820	2,296
Net unrealized gains on available-for-sale securities	1,097,249	(546,805)	(4,852)

Deferred unrealized gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥ 22,901	¥ 34,773	$308
Reclassification adjustments	(2,961)	(3,106)	(27)
Before income tax effect adjustments	19,939	31,666	281
Income tax effects	(5,428)	(8,463)	(75)
Deferred unrealized gains (losses) on derivatives under hedge accounting	14,511	23,203	205

Land revaluation differences:			
Amount arising during the fiscal year	¥ —	¥ —	$ —
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	5,884	2,506	22
Land revaluation differences	5,884	2,506	22

Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥ 5,827	¥ (36,574)	$(324)
Reclassification adjustments	—	—	—
Before income tax effect adjustments	5,827	(36,574)	(324)
Income tax effects	—	—	—
Foreign currency translation adjustments	5,827	(36,574)	(324)

Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	¥ 44,064	¥ (47,115)	$(418)
Reclassification adjustments	19,355	34,217	303
Before income tax effect adjustments	63,419	(12,898)	(114)
Income tax effects	(20,284)	3,397	30
Remeasurements of defined benefit plans	43,135	(9,501)	(84)

Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	¥ 11,443	¥ (13,388)	$(118)
Reclassification adjustments	(13)	105	0
Share of other comprehensive income of affiliates accounted for by the equity method	11,430	(13,283)	(117)

Total other comprehensive income	¥ 1,178,038	¥ (580,454)	$(5,151)

26. Business Combination

(1) Overview of business combination

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

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

iii) Date of business combination
March 7, 2016 (U.S. local time)

iv) Legal form of business combination
Acquisition through a reverse triangular merger in accordance with the U.S. laws regarding corporate reorganization

v) Name of the acquired company after business combination
StanCorp Financial Group, Inc.

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

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

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

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

(3) Breakdown of acquisition costs

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

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

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

(5) Goodwill

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

ii) Reason to recognize goodwill
The acquisition cost, which was calculated by taking into account projections of the acquired company's future profit as of the valuation date, exceeded the net amounts of

acquired assets and liabilities assumed.

iii) Amortization method and period
Amortized on the straight-line basis over 20 years

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

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

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

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

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

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

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

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