May 25, 2017

Financial Results for the Fiscal Year Ended March 31, 2017

Meiji Yasuda Life Insurance Company (President: Akio Negishi) announces financial results for the fiscal year ended March 31, 2017.

≪Contents≫

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

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Balance Sheets

As of March 31		Millions of Yen 2016		Millions of Yen 2017		Millions of U.S. Dollars 2017
ASSETS:						
Cash and deposits (Notes 3, 4, and 7)	¥	**481,381**	¥	**505,583**	$	**4,506**
Call loans (Note 3)		**90,000**		**90,000**		**802**
Monetary claims bought (Note 4)		**223,659**		**220,118**		**1,962**
Money held in trust (Note 4)		—		**200**		**1**
Securities (Notes 4, 5, 6, 7, and 8)		**30,624,492**		**32,046,079**		**285,641**
Loans (Notes 4, 7, 9, and 10)		**5,634,123**		**5,422,653**		**48,334**
Tangible fixed assets (Notes 11, 12, and 13)						
Land		617,463		617,501		5,504
Buildings		306,647		295,568		2,634
Leased assets		87		612		5
Construction in progress		1,667		3,239		28
Other tangible fixed assets		4,728		6,253		55
Subtotal		**930,595**		**923,175**		**8,228**
Intangible fixed assets						
Software		50,821		59,942		534
Goodwill (Note 26)		158,679		155,799		1,388
Other intangible fixed assets		317,643		301,615		2,688
Subtotal		**527,144**		**517,358**		**4,611**
Due from agents		**1,831**		**1,592**		**14**
Reinsurance receivables		**115,877**		**120,163**		**1,071**
Other assets		**480,002**		**455,560**		**4,060**
Net defined benefit assets (Note 14)		**37,298**		**92,747**		**826**
Deferred tax assets (Note 15)		**2,485**		**2,498**		**22**
Customers' liabilities under acceptances and guarantees		**20,854**		**20,888**		**186**
Allowance for possible loan losses		**(5,457)**		**(5,848)**		**(52)**
Total assets	¥	**39,164,289**	¥	**40,412,770**	$	**360,217**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Balance Sheets (continued)

As of March 31		Millions of Yen 2016		Millions of Yen 2017		Millions of U.S. Dollars 2017
LIABILITIES:						
Policy reserves and other reserves						
Reserve for outstanding claims	¥	707,333	¥	732,370	$	6,527
Policy reserves		32,842,168		33,332,707		297,109
Policyholders' dividend reserves (Note 16)		240,902		236,959		2,112
Subtotal		**33,790,403**		**34,302,037**		**305,749**
Due to agents		**2,835**		**2,990**		**26**
Reinsurance payables		**832**		**815**		**7**
Bonds payable		**293,445**		**409,753**		**3,652**
Other liabilities		**478,051**		**531,235**		**4,735**
Net defined benefit liabilities (Note 14)		**12,447**		**8,769**		**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		**522,116**		**578,227**		**5,153**
Deferred tax liabilities (Note 15)		**329,406**		**433,794**		**3,866**
Deferred tax liabilities for land revaluation		**82,137**		**79,910**		**712**
Acceptances and guarantees		**20,854**		**20,888**		**186**
Total liabilities		**35,532,618**		**36,368,425**		**324,168**
NET ASSETS:						
Foundation funds (Note21)		**260,000**		**310,000**		**2,763**
Reserve for redemption of foundation funds (Note21)		**470,000**		**520,000**		**4,634**
Reserve for revaluation		**452**		**452**		**4**
Surplus		**506,083**		**514,726**		**4,587**
Total funds, reserve and surplus		**1,236,536**		**1,345,179**		**11,990**
Net unrealized gains on available-for-sale securities		**2,291,022**		**2,542,572**		**22,663**
Deferred unrealized gains on derivatives under hedge accounting		**38,659**		**39,643**		**353**
Land revaluation differences		**119,894**		**117,025**		**1,043**
Foreign currency translation adjustments		**(26,190)**		**(19,750)**		**(176)**
Remeasurements of defined benefit plans		**(32,200)**		**15,701**		**139**
Total accumulated other comprehensive income		**2,391,186**		**2,695,192**		**24,023**
Non-controlling interests		**3,947**		**3,974**		**35**
Total net assets		**3,631,671**		**4,044,345**		**36,049**
Total liabilities and net assets	**¥**	**39,164,289**	**¥**	**40,412,770**	**$**	**360,217**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

Years ended March 31	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
ORDINARY INCOME:			
Insurance premiums and other	¥ 3,381,621	¥ 2,866,387	$ 25,549
Investment income			
Interest, dividends and other income	690,493	772,142	6,882
Gains on money held in trust	0	—	—
Gains on sales of securities	8,505	23,968	213
Gains on redemption of securities	88,701	57,323	510
Foreign exchange gains	154	—	—
Other investment income	892	2,175	19
Investment gains on separate accounts	—	15,807	140
Subtotal	**788,747**	**871,417**	**7,767**
Other ordinary income	**106,171**	**137,663**	**1,227**
Total ordinary income	**4,276,540**	**3,875,469**	**34,543**
ORDINARY EXPENSES:			
Benefits and other payments			
Claims paid	569,516	635,367	5,663
Annuity payments	696,036	697,062	6,213
Benefit payments	412,172	501,942	4,474
Surrender benefits	455,478	454,118	4,047
Other refunds	178,963	94,717	844
Subtotal	**2,312,168**	**2,383,208**	**21,242**
Provision for policy reserves and other reserves			
Provision for reserve for outstanding claims	1,866	7,151	63
Provision for policy reserves	898,470	324,535	2,892
Provision for interest on policyholders' dividend reserves (Note 16)	251	135	1
Subtotal	**900,587**	**331,822**	**2,957**
Investment expenses			
Interest expenses	6,288	29,114	259
Losses on sales of securities	1,967	32,216	287
Losses on valuation of securities	12,791	12,137	108
Losses on redemption of securities	37	4,433	39
Losses on derivative financial instruments	107,329	88,918	792
Foreign exchange losses	—	399	3
Provision for allowance for possible loan losses	664	1,801	16
Depreciation of real estate for non-insurance business	9,732	9,513	84
Other investment expenses	14,320	18,534	165
Investment losses on separate accounts	28,956	—	—
Subtotal	**182,088**	**197,070**	**1,756**
Operating expenses (Note 23)	**372,229**	**439,743**	**3,919**
Other ordinary expenses	**210,360**	**208,741**	**1,860**
Total ordinary expenses	**3,977,433**	**3,560,586**	**31,737**
Ordinary profit	**¥ 299,107**	**¥ 314,883**	**$ 2,806**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Income and
Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income] (continued)

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2016	2017	2017
Extraordinary gains			
Gains on disposals of fixed assets	¥ 2,614	¥ 2,045	$ 18
Reversal of reserve for contingent liabilities	0	0	0
Subtotal	**2,615**	**2,045**	**18**
Extraordinary losses			
Losses on disposals of fixed assets	6,589	4,317	38
Impairment losses (Note 13)	3,807	3,152	28
Provision for reserve for price fluctuation	29,209	56,121	500
Losses on reduction entry of real estate	—	333	2
Contributions for promotion of social welfare project	553	582	5
Other extraordinary losses	—	1	0
Subtotal	**40,160**	**64,510**	**575**
Surplus before income taxes and non-controlling interests	**261,561**	**252,418**	**2,249**
Income taxes (Note 15)			
Current	54,641	38,003	338
Deferred	(7,706)	(10,193)	(90)
Total income taxes	**46,934**	**27,809**	**247**
Net surplus	**214,627**	**224,608**	**2,002**
Net surplus attributable to non-controlling interests	**528**	**878**	**7**
Net surplus attributable to the Parent Company	**¥ 214,099**	**¥ 223,730**	**$ 1,994**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Comprehensive Income]

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

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Cash Flows

Years ended March 31	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
I Cash flows from operating activities			
Surplus before income taxes and non-controlling interests	¥ 261,561	¥ 252,418	$ 2,249
Depreciation of real estate for non-insurance business	9,732	9,513	84
Depreciation	21,647	44,440	396
Impairment losses	3,807	3,152	28
Amortization of goodwill	—	6,773	60
Increase (Decrease) in reserve for outstanding claims	1,944	10,563	94
Increase (Decrease) in policy reserves	898,283	420,352	3,746
Provision for interest on policyholders' dividend reserves	251	135	1
Increase (Decrease) in allowance for possible loan losses	423	391	3
Increase (Decrease) in net defined benefit liabilities	67	(2,248)	(20)
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(9)	(82)	(0)
Increase (Decrease) in reserve for contingent liabilities	(0)	(0)	(0)
Increase (Decrease) in reserve for price fluctuation	29,209	56,121	500
Interest, dividends, and other income	(690,493)	(772,142)	(6,882)
Losses (Gains) on securities	168,606	1,739	15
Interest expenses	6,288	29,114	259
Foreign exchange losses (gains)	29	314	2
Losses (Gains) on tangible fixed assets	3,523	2,407	21
Investment losses (gains) on equity method	(1,920)	(664)	(5)
Decrease (Increase) in due from agents	49	244	2
Decrease (Increase) in reinsurance receivables	(173)	(1,464)	(13)
Decrease (Increase) in other assets (excluding those related to investing and financing activities)	(89,689)	53,346	475
Increase (Decrease) in due to agents	8	86	0
Increase (Decrease) in reinsurance payables	28	(16)	(0)
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	(53,926)	41,165	366
Others, net	24,571	10,822	96
Subtotal	**593,820**	**166,484**	**1,483**
Interest, dividends, and other income received	738,937	830,960	7,406
Interest paid	(3,283)	(28,393)	(253)
Policyholders' dividends paid	(192,857)	(169,832)	(1,513)
Income taxes paid	(123,357)	(23,230)	(207)
Net cash provided by operating activities	**¥ 1,013,259**	**¥ 775,989**	**$ 6,916**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Cash Flows (continued)

Years ended March 31	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
II Cash flows from investing activities			
Net decrease (increase) in deposits	¥ (9,985)	¥ 21,082	$ 187
Purchase of monetary claims bought	(19,800)	(36,100)	(321)
Proceeds from sales and redemption of monetary claims bought	26,155	38,734	345
Purchase of securities	(2,485,561)	(3,346,498)	(29,828)
Proceeds from sales and redemption of securities	1,762,429	2,256,783	20,115
Loans extended	(1,009,828)	(1,021,210)	(9,102)
Proceeds from collection of loans	1,110,671	1,243,234	11,081
Net increase (decrease) in cash collateral under securities borrowing / lending transactions	(113,710)	95,952	855
Total investment activities (IIa)	**(739,629)**	**(748,021)**	**(6,667)**
[I + IIa]	**273,630**	**27,968**	**249**
Purchase of tangible fixed assets	(11,852)	(28,115)	(250)
Proceeds from sales of tangible fixed assets	15,702	13,549	120
Purchase of intangible fixed assets	(22,397)	(23,836)	(212)
Acquisition of stock of subsidiaries with change in scope of consolidation (Note 26)	(531,629)	—	—
Others, net	(2,627)	(452)	(4)
Net cash used in investing activities	**(1,292,434)**	**(786,877)**	**(7,013)**
III Cash flows from financing activities			
Proceeds from debt	150	—	—
Repayments of debt	(150)	(100,000)	(891)
Proceeds from issuance of bonds payable	235,514	114,204	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	(395)	(841)	(7)
Others, net	(294)	(5,822)	(51)
Net cash provided by financing activities	**232,722**	**55,439**	**494**
IV Effect of foreign exchange rate changes on cash and cash equivalents	**(45)**	**734**	**6**
V Net increase (decrease) in cash and cash equivalents	**(46,497)**	**45,286**	**403**
VI Cash and cash equivalents at the beginning of the year	**579,044**	**532,547**	**4,746**
VII Cash and cash equivalents at the end of the year (Note 3)	**¥ 532,547**	**¥ 577,833**	**$ 5,150**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Changes in Net Assets

Year ended March 31, 2016 — **Millions of Yen**

	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 (Note 16)				(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 (Note 16)								(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

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2017 — **Millions of Yen**

	Funds, reserves and surplus				
	Foundation funds (Note 21)	Reserve for redemption of foundation funds (Note 21)	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	260,000	470,000	452	506,083	1,236,536
Changes in the fiscal year					
Issuance of foundation funds	100,000				100,000
Additions to policyholders' dividend reserves (Note 16)				(165,707)	(165,707)
Additions to reserve for redemption of foundation funds		50,000			50,000
Payment of interest on foundation funds				(2,101)	(2,101)
Net surplus attributable to the Parent Company				223,730	223,730
Redemption of foundation funds	(50,000)				(50,000)
Reversal of reserve for fund redemption				(50,000)	(50,000)
Reversal of land revaluation differences				2,868	2,868
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(147)	(147)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	50,000	50,000	—	8,642	108,642
Ending balance	310,000	520,000	452	514,726	1,345,179

	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	2,291,022	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
Additions to policyholders' dividend reserves (Note 16)								(165,707)
Additions to reserve for redemption of foundation funds								50,000
Payment of interest on foundation funds								(2,101)
Net surplus attributable to the Parent Company								223,730
Redemption of foundation funds								(50,000)
Reversal of reserve for fund redemption								(50,000)
Reversal of land revaluation differences								2,868
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests								(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	251,549	983	(2,868)	6,439	47,901	304,005	26	412,674
Ending balance	2,542,572	39,643	117,025	(19,750)	15,701	2,695,192	3,974	4,044,345

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Unaudited Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2017 — **Millions of U.S. Dollars**

	Funds, reserves and surplus				
	Foundation funds (Note 21)	Reserve for redemption of foundation funds (Note 21)	Reserve for revaluation	Surplus	Total funds, reserves and surplus
Beginning balance	2,317	4,189	4	4,510	11,021
Changes in the fiscal year					
Issuance of foundation funds	891				891
Additions to policyholders' dividend reserves (Note 16)				(1,477)	(1,477)
Additions to reserve for redemption of foundation funds		445			445
Payment of interest on foundation funds				(18)	(18)
Net surplus attributable to the Parent Company				1,994	1,994
Redemption of foundation funds	(445)				(445)
Reversal of reserve for fund redemption				(445)	(445)
Reversal of land revaluation differences				25	25
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests				(1)	(1)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	445	445	―	77	968
Ending balance	2,763	4,634	4	4,587	11,990

	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	20,420	344	1,068	(233)	(287)	21,313	35	32,370
Changes in the fiscal year								
Issuance of foundation funds								891
Additions to policyholders' dividend reserves (Note 16)								(1,477)
Additions to reserve for redemption of foundation funds								445
Payment of interest on foundation funds								(18)
Net surplus attributable to the Parent Company								1,994
Redemption of foundation funds								(445)
Reversal of reserve for fund redemption								(445)
Reversal of land revaluation differences								25
Changes in equity attributable to the Parent Company arising from transactions with non-controlling interests								(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	2,242	8	(25)	57	426	2,709	0	3,678
Ending balance	22,663	353	1,043	(176)	139	24,023	35	36,049

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Notes to the Unaudited 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, 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 importance.

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 importance.

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 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.

(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:

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

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:

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Notes to Unaudited the Consolidated Financial Statements

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

(*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 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) for the fiscal year 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.

					Millions of Yen				Millions of U.S. Dollars
As of March 31			**2016**			**2017**			**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	¥ 3,907,176	¥ 4,778,510	¥ 871,334	¥ 3,837,880	¥ 4,568,480	¥ 730,600	$ 34,208	$ 40,720	$ 6,512
2) Corporate bonds	654,758	750,528	95,769	575,168	651,759	76,590	5,126	5,809	682
3) Others	298,768	323,721	24,953	269,112	287,460	18,348	2,398	2,562	163
Total	4,860,703	5,852,760	992,056	4,682,161	5,507,700	825,539	41,734	49,092	7,358
Securities whose fair value does not exceed the balance sheet amount									
1) National & local government bonds	621	618	(3)	934	917	(17)	8	8	(0)
2) Corporate bonds	–	–	–	2,800	2,780	(19)	24	24	(0)
3) Others	14,918	14,228	(689)	51,723	50,461	(1,262)	461	449	(11)
Total	15,540	14,847	(693)	55,457	54,158	(1,298)	494	482	(11)

(*) 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
			2016			2017			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	¥ 7,123,476	¥ 8,775,028	¥ 1,651,552	¥ 7,212,028	¥ 8,536,231	¥ 1,324,203	$ 64,284	$ 76,087	$ 11,803
2) Corporate bonds	37,709	41,721	4,011	37,687	40,912	3,225	335	364	28
3) Others	–	–	–	–	–	–	–	–	–
Total	7,161,185	8,816,749	1,655,563	7,249,715	8,577,144	1,327,428	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	892	(7)	900	898	(1)	8	8	(0)
3) Others	–	–	–	–	–	–	–	–	–
Total	900	892	(7)	900	898	(1)	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		
	2016			2017			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	¥ 1,515,661	¥ 3,317,853	¥ 1,802,192	¥ 1,573,734	¥ 3,927,201	¥ 2,353,466	$ 14,027	$ 35,004	$ 20,977
(2) Bonds	4,791,138	5,333,851	542,712	4,708,985	5,166,736	457,750	41,973	46,053	4,080
1) National & local government bonds	3,538,179	3,994,223	456,043	3,432,103	3,812,161	380,057	30,591	33,979	3,387
2) Corporate bonds	1,252,958	1,339,628	86,669	1,276,882	1,354,574	77,692	11,381	12,073	692
(3) Others	4,239,269	5,146,013	906,743	4,890,844	5,702,478	811,633	43,594	50,828	7,234
Total	10,546,069	13,797,718	3,251,649	11,173,565	14,796,416	3,622,851	99,595	131,887	32,292
Securities whose balance sheet amount does not exceed the acquisition or amortized costs									
(1) Domestic stocks	135,757	121,378	(14,378)	96,754	91,605	(5,149)	862	816	(45)
(2) Bonds	30,517	29,776	(741)	218,187	216,324	(1,862)	1,944	1,928	(16)
1) National & local government bonds	550	550	(0)	249	238	(10)	2	2	(0)
2) Corporate bonds	29,967	29,226	(741)	217,938	216,085	(1,852)	1,942	1,926	(16)
(3) Others	2,656,942	2,598,682	(58,260)	3,107,669	3,020,963	(86,706)	27,700	26,927	(772)
Total	2,823,217	2,749,836	(73,380)	3,422,611	3,328,892	(93,718)	30,507	29,671	(835)

(*) 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. Although the existence of “significant yen appreciation” was determined based on the exchange rate at the end of fiscal year so far, 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 has 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
Total	1,637,225	2,597,886	3,802,632	3,217,673	2,669,497	16,815,756	14,593	23,156	33,894	28,680	23,794	149,886

(*) Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥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	—	—	—	—	—
Total	100,000	—	—	29,543	—	263,901

(*) 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	—	—	—	—	—
Total	130,034	—	—	30,120	—	379,632	1,159	—	—	268	—	3,383

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)
Total				(2)

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
Total				(4)				(0)

(*) 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)	─	─		
	[─]		─	─
Total				(63)

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	—		
	[499]		—	499	[4]		—	4
(U.S. dollar)	105,400	—			939	—		
	[499]		—	499	[4]		—	4
Bought								
Put	89,250	—			795	—		
	[499]		0	(499)	[4]		0	(4)
(U.S. dollar)	89,250	—			795	—		
	[499]		0	(499)	[4]		0	(4)
Total				632				5

(*) 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.

(*) Option fees in the consolidated balance sheets 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 [1,063]	—	515	(548)
Total				(505)

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	—			485	—		
	[1,090]		1,439	349	[9]		12	3
Total				323				2

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

As of March 31	Millions of Yen			
	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
Total				55,738

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	Insurance liabilities	¥ 232,600	¥ 232,600	¥ 51,026	$ 2,073	$ 2,073	$ 454
Receipts floating, payments fixed	Bonds payable	29,460	29,460	384	262	262	3
Fair value hedge accounting							
Interest rate swaps							
Receipts floating, payments fixed	Securities (Bonds)	48,654	45,462	(483)	433	405	(4)
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	Loans	16,755	8,755	395	149	78	3
Total				51,322			457

ii) Currency-related

As of March 31				Millions of Yen
				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-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
Total				88,255

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	Foreign-currency-denominated bonds	¥ 2,852,379	¥ –	¥ (29,786)	$ 25,424	$ –	$ (265)
(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)	Foreign-currency-denominated bonds	35,575	35,575	1,472	317	317	13
(Australian dollar)		4,305	4,305	78	38	38	0
Total				(28,235)			(251)

(*) 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	**2016**	**2017**
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:

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

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

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

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:

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

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:

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

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:

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

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:

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

g. Plan assets

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

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

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2016**	**2017**	**2017**
Deferred tax assets	¥ 700,506	¥ 686,498	$ 6,119
Valuation allowance for deferred tax assets	(6,055)	(7,108)	(63)
Subtotal	694,451	679,389	6,055
Deferred tax liabilities	(1,021,373)	(1,110,685)	(9,900)
Net deferred tax assets (liabilities)	(326,921)	(431,295)	(3,844)

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

As of March 31	Millions of Yen 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
Deferred tax assets			
Policy reserves and other reserves	¥ 433,251	¥ 433,054	$ 3,860
Reserve for price fluctuation	145,892	161,585	1,440
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	863,417	952,346	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	2016	2017
Policyholders' dividend reserves	(17.59)%	(18.32)%
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 2016	Millions of Yen 2017	Millions of U.S. Dollars 2017
Balance at the beginning of the fiscal year	¥ 253,414	¥ 240,902	$ 2,147
Transfer from surplus in the previous fiscal year	180,044	165,707	1,477
Dividend payments to policyholders during the fiscal year	(192,857)	(169,832)	(1,513)
Interest accrued during the fiscal year	300	182	1
Balance at the end of the fiscal year	¥ 240,902	¥ 236,959	$ 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:

		Millions of Yen	Millions of U.S. Dollars
Years ended March 31	**2016**	**2017**	**2017**
Net unrealized gains on available-for-sale securities:			
Amount arising during the fiscal year	¥ (810,847)	¥ 325,627	$ 2,902
Reclassification adjustments	5,220	22,889	204
Before income tax effect adjustments	(805,626)	348,517	3,106
Income tax effects	258,820	(97,672)	(870)
Net unrealized gains on available-for-sale securities	(546,805)	250,844	2,235
Deferred unrealized gains (losses) on derivatives under hedge accounting:			
Amount arising during the fiscal year	¥ 34,773	¥ 1,616	$ 14
Reclassification adjustments	(3,106)	(1,155)	(10)
Before income tax effect adjustments	31,666	460	4
Income tax effects	(8,463)	523	4
Deferred unrealized gains (losses) on derivatives under hedge accounting	23,203	983	8
Land revaluation differences:			
Amount arising during the fiscal year	¥ —	¥ —	$ —
Reclassification adjustments	—	—	—
Before income tax effect adjustments	—	—	—
Income tax effects	2,506	—	—
Land revaluation differences	2,506	—	—

Foreign currency translation adjustments:			
Amount arising during the fiscal year	¥ (36,574)	¥ 11,887	$ 105
Reclassification adjustments	—	—	—
Before income tax effect adjustments	(36,574)	11,887	105
Income tax effects	—	—	—
Foreign currency translation adjustments	(36,574)	11,887	105
Remeasurements of defined benefit plans:			
Amount arising during the fiscal year	¥ (47,115)	¥ 38,233	$ 340
Reclassification adjustments	34,217	28,482	253
Before income tax effect adjustments	(12,898)	66,715	594
Income tax effects	3,397	(18,737)	(167)
Remeasurements of defined benefit plans	(9,501)	47,977	427
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	¥ (13,388)	¥ (4,729)	$ (42)
Reclassification adjustments	105	29	0
Share of other comprehensive income of affiliates accounted for by the equity method	(13,283)	(4,699)	(41)
Total other comprehensive income	¥ (580,454)	¥ 306,994	$ 2,736

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
Acquisition cost	¥599,410 million

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

Advisory fees and others	¥3,256 million

(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