



Stepping Up to the **Next Stage**

Stepping Up to the Next Stage

T&D Holdings, Inc. is the holding company for three core life insurance companies: Taiyo Life Insurance Company, Daido Life Insurance Company, and T&D Financial Life Insurance Company. Each of the three life insurance companies has a unique business model that is quite different from those of other companies in the industry in terms of markets, marketing channels, and products. Under the holding company structure, the three life insurance companies are focusing on their respective high-potential markets. Thanks to this focus, they boast high competitiveness within the life insurance industry and maintain strong business performance.

T&D Life Group's Corporate Philosophy, Management Vision and Fundamental Strategies

Try & Discover

T&D Life Group's Corporate Philosophy

With our "Try & Discover" motto for creating value, we aim to be a group that contributes to all people and societies.

T&D Life Group's Management Vision

From the customers' point of view

Aim to provide the best products and services to increase customer satisfaction.

From the shareholders', investors', and market's point of view

Aim to be a major life insurance group with a strong presence in the market by stable and sustainable increases in the value of the group through new challenges for growth.

T&D Life Group's Fundamental Strategies

1. To provide products and services tailored to customer needs accurately and quickly in a kind and polite manner.
2. To maintain and develop the Group management to maximize the individual strengths of each Group company within the Group.
3. To establish an integrated management system of profit, risk, and capital for stable and sustainable EV growth.
4. To achieve the mid- and long-term growth of the Group by expanding the life insurance business and entering into new business areas through alliances and M&As.
5. To fulfill our public mission as a life insurance business and our corporate social responsibilities for the broader society including customers and shareholders.

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Editorial Note

The Annual Report 2014 has “Stepping Up to the Next Stage” as its central theme. The report introduces the unique business models of the three life insurance companies, Taiyo Life, Daido Life and T&D Financial Life, which are core companies of the Group. In the special feature, the report describes the T&D Life Group’s two-year Medium-term Management Plan, formulated to run from April 2014 to March 2016 and entitled A New “Try & Discover”—Bringing Together Group-wide Capabilities. Later in the report, readers can find details on the current situation of the T&D Life Group, including information on the financial results and management indicators of the three life insurance companies as well as trends in Japan’s life insurance industry. This information is arranged in a clear manner to facilitate understanding.

Forward-Looking Statements

This annual report contains forward-looking statements about T&D Holdings’ future plans, strategies, beliefs, and performance that involve risks and uncertainties. Such statements are based on our current expectations and are subject to uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause such a difference include, but are not limited to, (I) general economic conditions, in particular, conditions in the insurance markets on which the T&D Life Group centers, (II) performance of financial markets, (III) mortality and morbidity levels and trends, (IV) persistency levels, (V) interest rate levels, (VI) currency exchange rates, (VII) general competitive factors, (VIII) changes in laws and regulations, including the tax treatment of insurance premiums, and (IX) changes in the policies of governments and/or regulatory authorities. T&D Holdings, therefore, wishes to caution readers not to place undue reliance on forward-looking statements. Furthermore, the Company undertakes no obligation to update any forward-looking statements as a result of new information, future events, or other developments.

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To Our Shareholders



Increasing corporate value
by leveraging our unique
business models

The T&D Life Group aims to increase corporate value stably and sustainably by strengthening its unique business models, which set it apart from other companies, and by steadily promoting and enhancing Enterprise Risk Management (ERM).

In fiscal 2013, the year ended March 31, 2014, the Japanese economy saw a mild recovery throughout the year, backed by factors such as solid personal consumption, amid signs of improvement in the employment and income environment, and recovery in capital investment as corporate earnings improved.

In the life insurance industry, policy amount in force, which had been on a downward trend, remained almost unchanged from the previous year, despite a slight drop in new policy amount compared to the previous year. In the asset management environment, domestic stock prices rose from the start of the fiscal year due to the economic recovery trend, although domestic long-term interest rates remained at a low level.

In this context, we worked to strengthen our earnings capabilities in the Group's core life insurance business through the development and sales of insurance products that respond to customer needs and changes in the business environment. Moreover, we worked to further improve the Group's soundness and to maximize the Group's corporate value by improving the effectiveness of our ERM and by leveraging the sophistication of our development. The business results for fiscal 2013 were favorable on the whole.

The T&D Life Group has formulated a two-year Medium-term Management Plan, running from April 2014 to March 2016, entitled A New "Try & Discover"—Bringing Together Group-wide Capabilities. The Group continues to work to increase insurance profit by strengthening the unique business models of Taiyo Life, Daido Life, and T&D Financial Life. At the same time, we will promote and enhance ERM. The aim of these efforts is to increase our corporate value stably and sustainably.

With our "Try & Discover" motto for creating value, we aim to be a group that contributes to all people and society. Guided by this corporate philosophy, all the Group's corporate officers and employees will continue making a concerted effort to justify the trust of stakeholders.

In closing, I would appreciate the continued support and cooperation of our shareholders and other investors and analysts.

September 2014



Kenji Nakagome
Representative Director and President

The 10-Year History of T&D Holdings

Toward the Stage of Pursuing New Growth

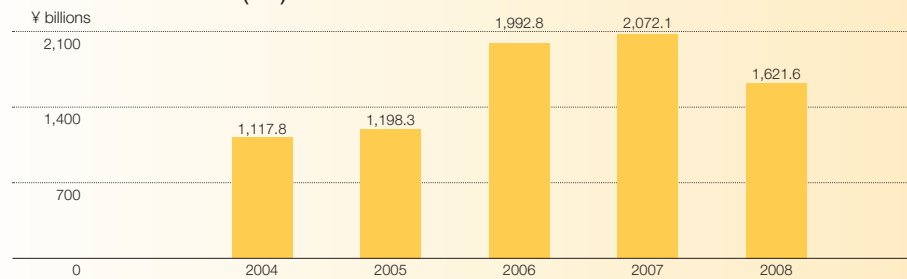
In April 2004, the T&D Life Group established T&D Holdings, Inc. and the three companies of Taiyo Life, Daido Life and T&D Financial Life became direct subsidiaries whilst maintaining their characteristic business models. In April 2014, the Group celebrated the 10th anniversary of the establishment of T&D Holdings.

There have been various financial crises and other changes in the business environment that originated in the collapse of Lehman Brothers in September 2008. However, the Group has achieved steady growth since these financial crises mainly by focusing on ensuring financial soundness, restoring profitability, and developing an ERM framework. In fiscal 2013, the Group achieved a new record performance.

Furthermore, the Group has steadily worked to maximize the total policy amount in force, and has expanded its market share. (Please refer to Comparison with Market Share 10 Years Ago on page 23.)

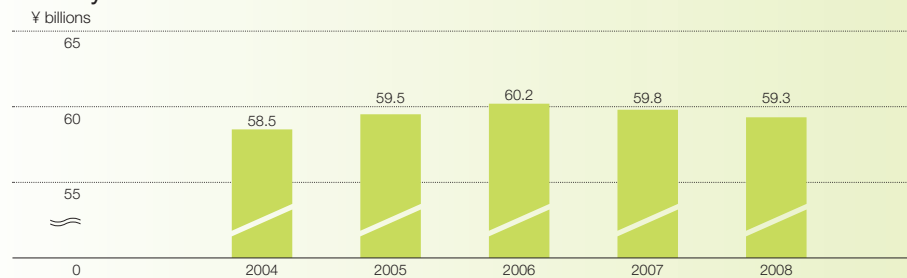
In April 2014, the T&D Life Group formulated the T&D Life Group Medium-term Management Plan covering the next two years, thereby taking a step toward further growth.

▶ Embedded Value (EV)*1



*1 TEV: 2004/3-2006/3, EEV: 2007/3-2011/3, MCEV (Group MCEV): From 2012/3

▶ Policy Amount In Force*2



*2 The total of individual insurance, individual annuities and Daido Life's J-type product. The new policy amount includes increase from conversions.

▶ Adjusted Net Income*3, 4



*3 Fiscal 2003 shows the total figures of the non-consolidated results of Taiyo Life, Daido Life and T&D Financial Life; fiscal 2004 onwards show the figures of the consolidated results of T&D Holdings.

Main Topics

April 2004

Established T&D Holdings, Inc.

January 2007

Acquired Japan Family Insurance Planning, Inc. (now Pet & Family Small-amount Short-term Insurance Company) as a subsidiary

March 2009

Public offering (58.0 billion yen)

September 2005

Internal reorganization of the Group in-house sales representative channel at T&D Financial Life

September 2008

Lehman bankruptcy

December 2009

Public offering (118.9 billion yen)

March 2006

Public offering (37.1 billion yen)

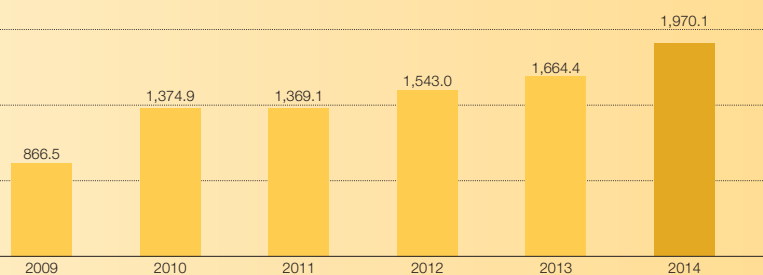
October 2008

Taiyo Life launched *Hoken Kumikyoku Best*

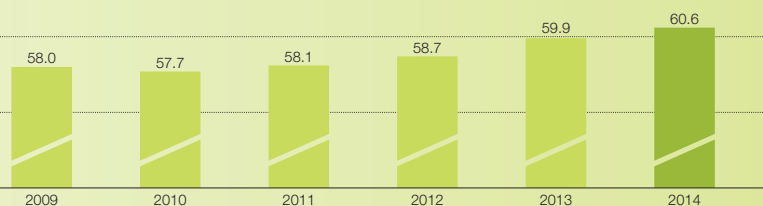
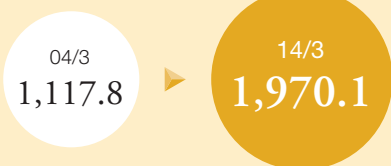
October 2010

Daido Life launched non-participating insurance for serious diseases (*J-type product*)

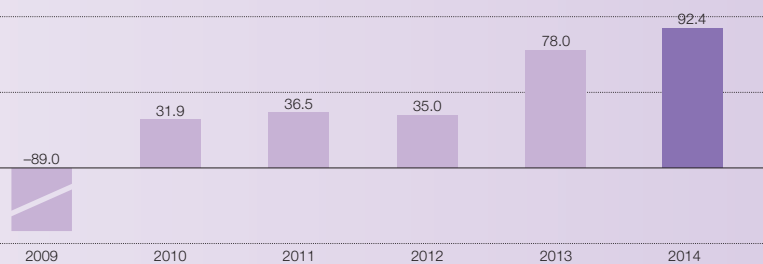
▶ Comparison with 10 Years Ago



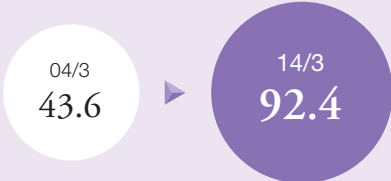
Approximately +76%



Approximately +4%



Approximately +112%



*4 Adjusted net income = Net income + Additional internal reserves in excess of legal requirements (after taxes). In fiscal 2008, the Company posted a net loss.

March 2011

Great East Japan Earthquake

May 2013

Taiyo Life's 120th anniversary

July 2012

Daido Life's 110th anniversary

April 2014

T&D Holdings' 10th anniversary

April 2013

Full implementation of ERM

For further information

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Medium-term Management Plan (Fiscal 2014-Fiscal 2015)

A New “Try & Discover”—Bringing Together Group-wide Capabilities—

T&D Life Group’s Corporate Vision

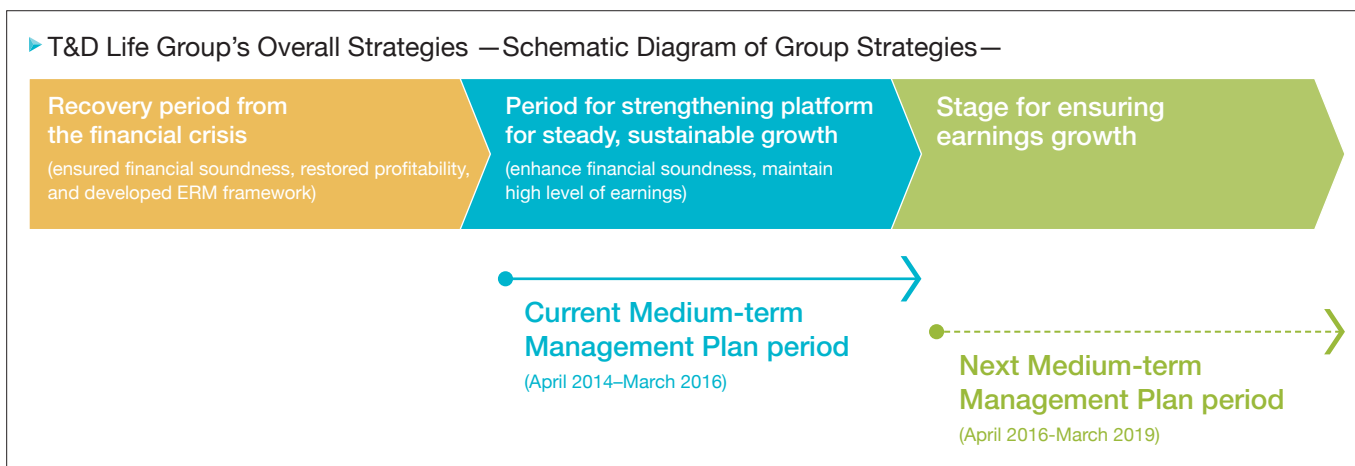


The Group aims to be a major life insurance group with a strong presence in the market by stable and sustainable increases in the corporate value of the Group through new challenges for growth. This is the T&D Life Group’s Management Vision as we strive to further improve the Group’s presence in the Japanese life insurance market.

The Group positions the Medium-term Management Plan period, covering the two years from fiscal 2014 to fiscal 2015, as “a period for strengthening our platform for pursuing steady, sustainable growth, while maintaining the high level of earnings restored since the financial crisis.” We will enhance financial soundness and maintain a high level of earnings while eyeing a leap to the next stage.

Five measures of the Medium-term Management Plan:

- ▶ To maximize the uniqueness and the specialization of our three life insurance companies, which possess different business models, under the holding company, in order to increase the T&D Life Group’s corporate value.
- ▶ To enhance our presence in the core life insurance business in Japan as a top priority, with the view to achieving growth.
- ▶ To strengthen our sustainable business model in line with the ERM framework.
- ▶ To pursue opportunities for alliances and M&As, with the aim of reinforcing and expanding the growth potential of our core life insurance business in Japan.
- ▶ To execute investments in overseas life insurance and other peripheral businesses, among other measures, in order to supplement our life insurance business in Japan going forward, with the intent of achieving medium- and long-term growth.

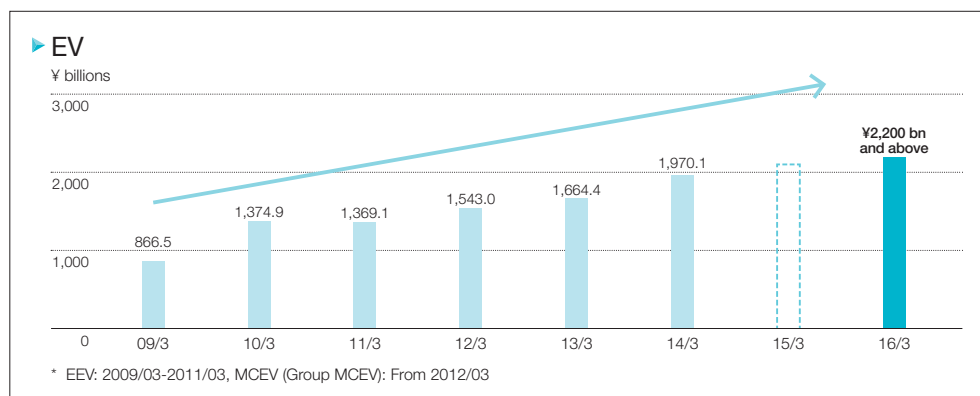


Key Performance Indicators

We will promote the Medium-term Management Plan using three indicators as the three key performance indicators.

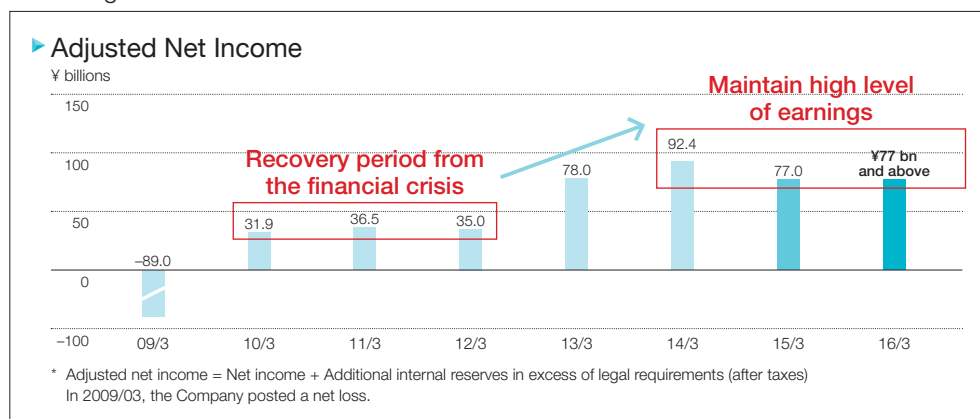
Yardstick for measuring corporate value

We aim to achieve EV of ¥2,200 billion and above, and stable and sustainable growth of ROEV of 7.5% and above.



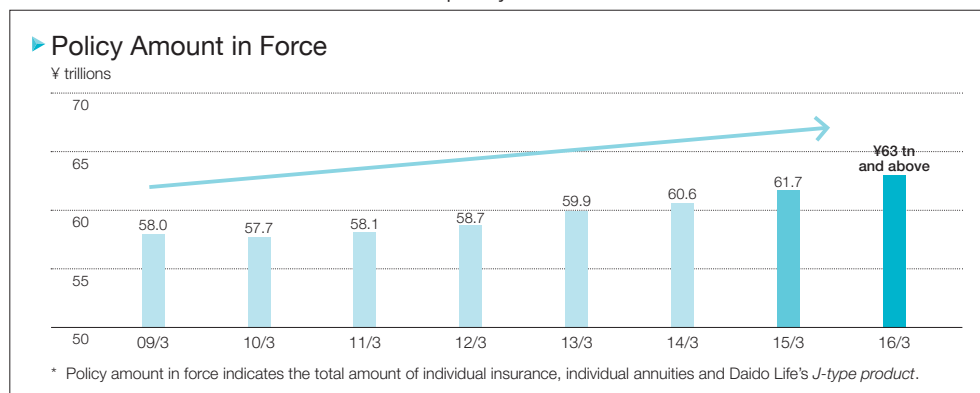
Yardstick for measuring profit

We aim to achieve adjusted net income of ¥77 billion and above, and maintain the high level of earnings restored since the financial crisis.



Yardstick for measuring sales performance

We aim to achieve a policy amount in force of ¥63,000 billion and above, and to achieve a net increase of a stable and sustainable policy amount in force.

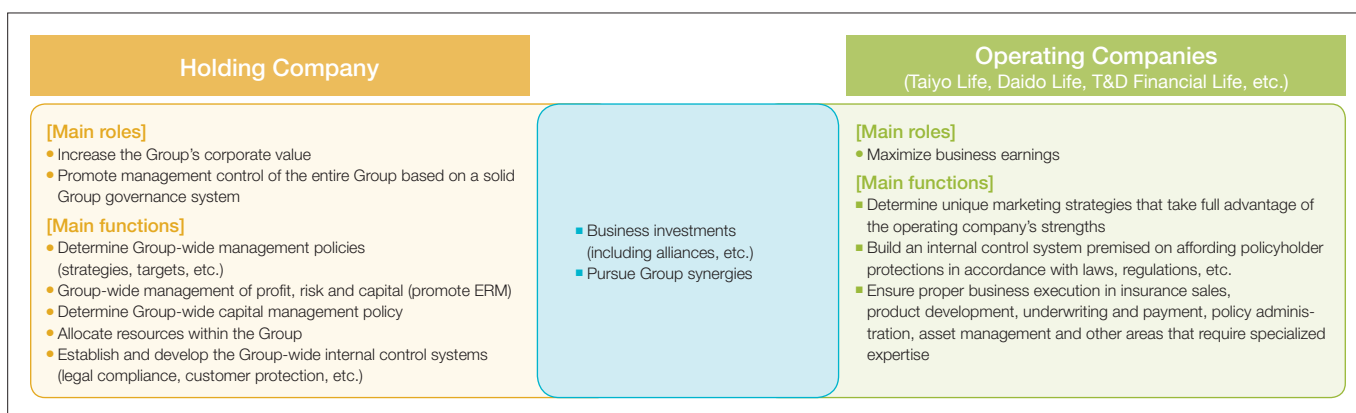


T&D Life Group's Overall Strategies

Group Governance System

Under the holding company system, each operating company will take full advantage of their uniqueness and specialization.

With the aim of improving the corporate value of the Group, the main roles of a holding company are to “increase the Group’s corporate value” and to “promote management control of the entire Group based on a solid Group governance system.” Specifically, the holding company will determine the Group-wide management policies, implement the Group-wide management of profit, risk and capital, and allocate resources within the Group. The main roles of the operating companies are to maximize business earnings.



Group Strategies

We aim to grow the Group’s core businesses (life insurance business in Japan) and pursue growth opportunities through business investments (including alliances) for a steady and sustainable growth in corporate value. In addition, we will attain both financial soundness and capital efficiency under the Group capital management policy.



Strategies for the Life Insurance Business in Japan

Each of the T&D Life Group's three core life insurance companies has a business model that is focused on different markets, sales channels and products. Through these business models, the T&D Life Group is promoting "selection and concentration" and "differentiation" in the Group's core life insurance business in the Japanese market.

Taiyo Life

Role

Pursue sustained growth by increasing EV and the policy amount in force

Enhance business model capabilities for delivering optimal comprehensive coverage to households

Taiyo Life will strengthen its business model through the supply of products and services based on the characteristics of customers, such as services for seniors, its primary customer base. Through these initiatives, Taiyo Life aspires to become a company that achieves growth in EV and the policy amount in force.

(Please refer to the Business Overview on page 28.)

Daido Life

Role

Pursue higher earnings stability and growth potential

Strengthen the business model to increase corporate value stably and sustainably

Daido Life will strengthen its core business by further penetrating the SME market and creating and expanding new markets. At the same time, Daido Life will work to enhance customer service and productivity and efficiency through business process reforms targeting sales activities and administrative operations, with the aim of increasing corporate value stably and sustainably.

(Please refer to the Business Overview on page 32.)

T&D Financial Life

Role

Pursue growth potential

Strengthen business model capabilities for generating stable profits

T&D Financial Life will further promote multi-tracked development of products, sales channels, and sources of profit by expanding its agency network and driving product penetration. This will be done by strengthening its sales promotion framework and enhancing its differentiated product lineup. In doing so, T&D Financial Life aims to increase corporate value by generating stable profits.

(Please refer to the Business Overview on page 36.)

Strategies for Other Businesses

The T&D Life Group will engage in business investments based on the Group's core strategic policy of pursuing business investments that help expand market share and profitability in the life insurance market in Japan. The Group will implement the following two sets of initiatives as its fundamental approach. First, it will implement initiatives in peripheral businesses highly complementary to the life insurance business in Japan, primarily for the purpose of creating new earnings opportunities and augmenting each company's core business. Second, it will implement initiatives in overseas life insurance businesses primarily for the purpose of diversifying sources of profits from a medium-term perspective.

Because of the uncertainties associated with successfully executing business investments, the T&D Life Group will implement optimal measures over a time span of five years, without restricting itself to the two-year period of the Medium-Term Management Plan.

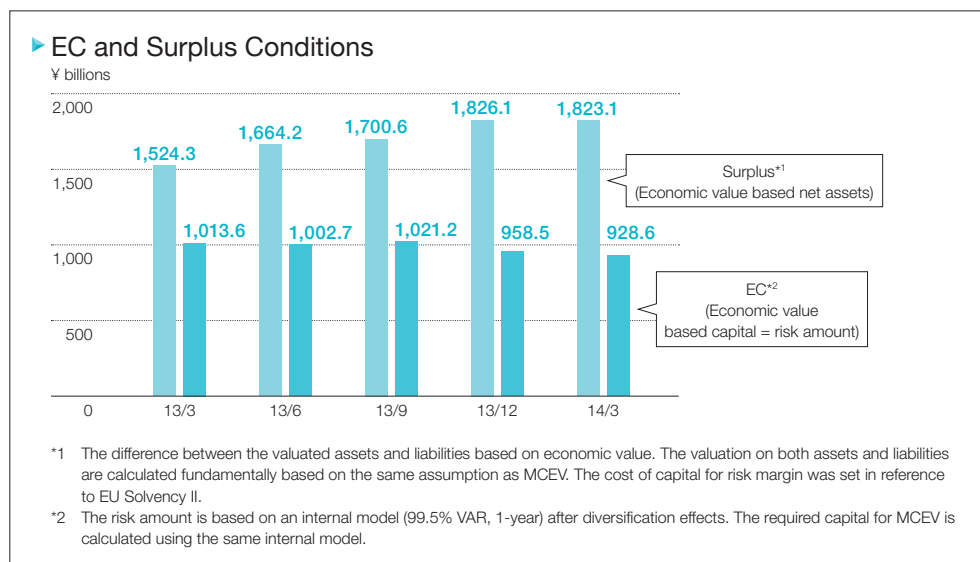
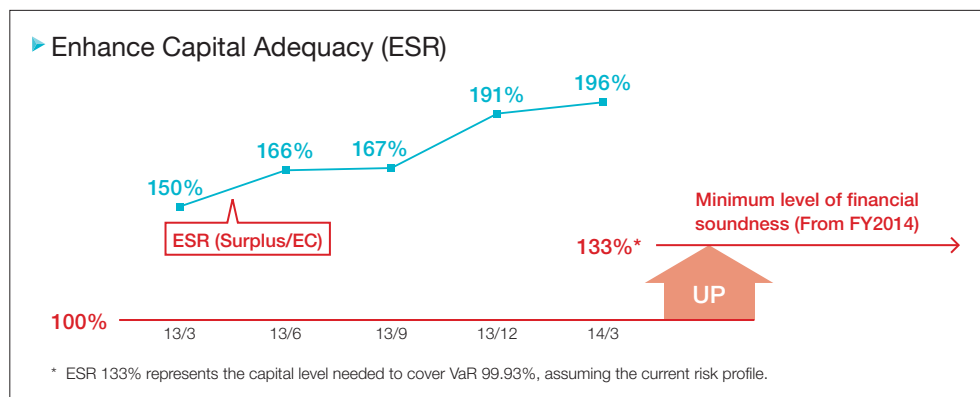
T&D Life Group's Capital Management Policy (Promote ERM)

Promote ERM

Capital Adequacy

The Group has been enhancing its capital adequacy by reducing risks and increasing surplus mainly through contributions from value of new business. As a result, we are keeping a certain level of capital adequacy of the Economic Solvency Ratio (ESR) of 196% as of March 31, 2014.

In the Medium-term Management Plan, we decided to raise the minimum level of financial soundness from the current ESR 100% because we believe that a higher level of financial soundness is essential considering the long term nature of the life insurance business. Specifically, we will conduct capital and risk management using a standard of maintaining a minimum requirement of ESR of 133% equivalent to a confidence level of 99.93%.



Capital Efficiency

As for capital efficiency, we have set the core return on embedded value (ROEV, which has the value of new business as a critical factor) at 5% and above as a target level that the Group should steadily keep in addition to the existing target of ROEV 7.5% and above.

Since, the ROEV itself tends to largely fluctuate reflecting the economic environment each fiscal year, we aim to stably achieve core ROEV 5% and above. Therefore, in the medium to long term we aim to achieve ROEV 7.5% and above.

For reference, ROEV and core ROEV for FY2013 were 17.9% and 6.4%, respectively.

▶ Ensuring Capital Efficiency

ROEV*1	Core ROEV*2
7.5% and above	5.0% and above

*1 Annual increase in EV (less capital movements)/ Annual average of EV.

*2 Embedded value of new business + Expected existing business contribution from risk free rate / Annual average of EV.

▶ ROEV and Core ROEV

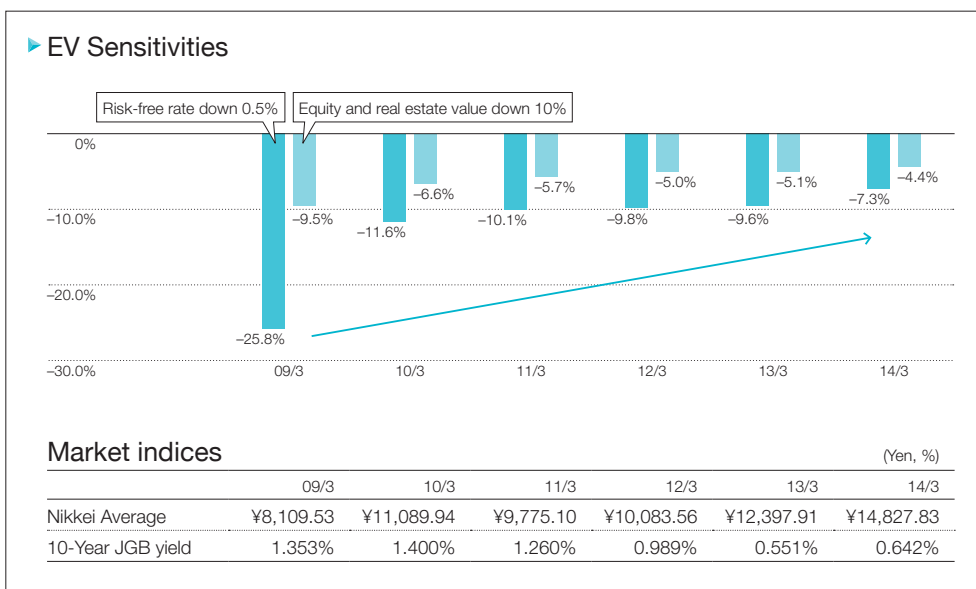
	09/3	10/3	11/3	12/3	13/3	14/3
ROEV	(66.0)%	39.3%	0.7%	8.6%	8.6%	17.9%
Core ROEV	4.6%	6.3%	5.4%	5.5%	5.4%	6.4%

* Calculated based on EEV for 2009/3-2012/3 and Group MCEV for 2013/3-2014/3.



Reducing EV Volatility

Reducing EV volatility is one aspect of our efforts at the T&D Life Group to enhance EV stability. In specific terms, we have lengthened the duration of bonds to reduce duration mismatch between assets and liabilities based on a plan. We have also reduced our exposure to equities and other risk assets. These measures have lowered EV sensitivities to fluctuations in interest rates, stock prices, and real estate prices. As of March 31, 2014, we believe that the T&D Life Group had made steady progress on reducing EV sensitivities to fluctuations in interest rates, stock prices, and real estate prices through well-planned risk reduction.

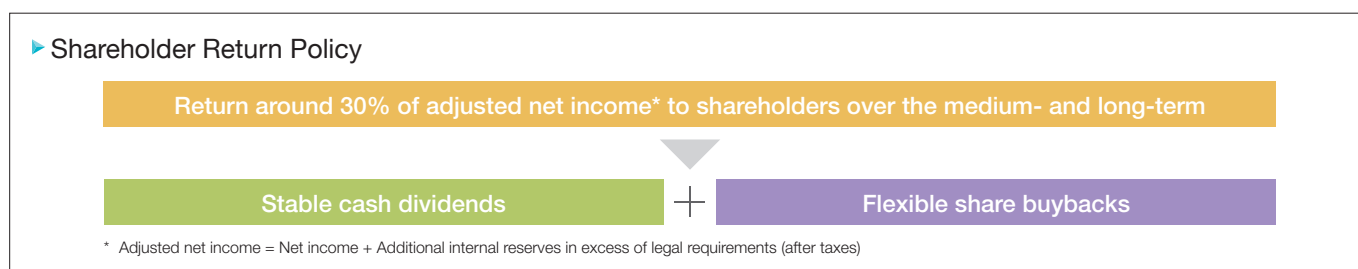


T&D Life Group's Capital Management Policy (Shareholder Return Policy)

Shareholder Return Policy

We will keep the shareholder return policy of returning around 30% of adjusted net income over the medium- and long-term.

As for fiscal 2013, a total of ¥26.8 billion will be returned to the shareholders from the ¥92.4 billion adjusted net income. This will be done by combining cash dividend payouts of ¥16.8 billion (¥25 per share) and a share buyback of ¥10.0 billion. Going forward, we will continue to aim for around 30% of adjusted net income as a total return to shareholders over the medium- and long-term, by combining stable cash dividend payouts and flexible share buybacks. For fiscal 2014, we intend to pay a dividend of ¥25 per share.



► Return to Shareholders

	09/3	10/3	11/3	12/3* ¹	13/3	14/3
Dividends per share (¥)	¥ 45	¥ 45	¥ 45	¥22.50	¥22.50	¥ 25
Cash dividends (¥ billions)	12.3	15.3	15.3	15.1	15.1	16.8
Share buybacks (¥ billions)	–	–	–	approx [5.0]	approx 3.0* ²	approx 10.0* ³
Total return to shareholders (¥ billions)	12.3	15.3	15.3	20.1	18.1	26.8

*¹ The Company conducted a 2 for 1 stock split on October 1, 2011. The Company also conducted an approx ¥5.0 bn share buyback from November to December 2011.
*² The Company conducted a share buyback in May 2013 as a shareholders' return for the FY2012 earnings.
*³ The Company conducted a share buyback from May to June 2014 as a shareholders' return for the FY2013 earnings.

We aim to achieve stable and sustainable increases in the corporate value of the Group through new challenges for growth.



▶ Operating Results and Market Trends

Key Business Performance

Years ended March 31

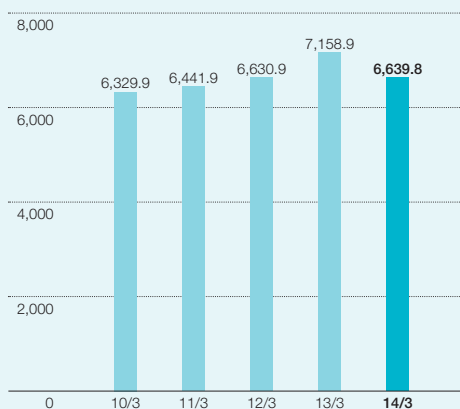
	10/3	11/3	12/3	13/3	¥ billions 14/3	% YoY Change	US\$ billions ¹ 14/3
Policy Results²							
Policy basis							
New policy amount	¥ 6,329.9	¥ 6,441.9	¥ 6,630.9	¥ 7,158.9	¥ 6,639.8	(7.3)	\$ 64.5
Policy amount in force	57,700.0	58,133.9	58,780.1	59,996.5	60,699.8	1.2	589.7
Surrender and lapse amount	5,112.4	4,497.3	4,269.0	4,071.3	3,967.4	(2.6)	38.5
Annualized premium basis							
Annualized premiums of new policies	¥ 263.2	¥ 103.2	¥ 130.6	¥ 164.2	¥ 127.9	(22.1)	\$ 1.2
Third sector products	11.4	10.8	13.3	15.6	16.5	5.7	0.1
Annualized premiums of total policies	1,534.1	1,397.3	1,402.0	1,447.7	1,420.5	(1.9)	13.8
Third sector products	165.8	162.6	160.5	160.9	163.4	1.5	1.5
Statements of Operations Data							
Ordinary revenues	¥ 2,348.9	¥ 1,993.0	¥ 2,104.1	¥ 2,418.9	¥ 2,085.7	(13.8)	\$ 20.2
Income from insurance premiums	1,898.3	1,474.2	1,691.2	1,940.9	1,609.7	(17.1)	15.6
Core profit	131.0	107.7	144.9	182.4	210.2	15.2	2.0
Ordinary profit	80.5	94.9	120.8	151.6	186.2	22.8	1.8
Net income	24.2	23.8	26.7	63.7	78.9	23.9	0.7
Adjusted net income	31.9	36.5	35.0	78.0	92.4	18.5	0.8
Soundness							
Consolidated solvency margin ratio	—	—	810.6%	943.8%	1,115.0%	171.2pt	—
Shareholder Returns³							
						Change	
Dividends per share (¥, US\$)	¥ 45	¥ 45	¥ 22.5	¥ 22.5	¥ 25	2.5	\$ 0.24
Share buybacks	—	—	approx [5.0]	approx 3.0	approx 10.0	approx 7.0	0.09
Total return to shareholders	15.3	15.3	15.1	18.1	26.8	8.7	0.26
Embedded Value (EV)⁴							
						Change	
Embedded value	¥ 1,374.9	¥ 1,369.1	¥ 1,543.0	¥ 1,664.4	¥ 1,970.1	305.7	\$ 19.1
Value of new business	51.1	54.7	68.3	61.6	89.1	27.5	0.8
Stock Price Information (Fiscal year-end)							
Stock price (¥, US\$)	¥ 1,107	¥ 1,025	¥ 959	¥ 1,136	¥ 1,227	8.0	\$11.92
Market capitalization	754.4	698.5	653.5	774.2	836.2	8.0	8.12
Social/ Environmental Data							
Number of employees ⁵	20,570	20,451	19,863	19,455	18,806	(3.3)	
Male	4,417	4,342	4,197	3,991	3,852	(3.5)	
Female	16,153	16,109	15,666	15,464	14,954	(3.3)	
Electricity consumption (MWh=1,000 kWh)	130,005	130,174	109,570	106,440	99,302	(6.7)	
Office paper consumption (t)	—	200	184	162	163	0.7	
Green purchasing ratio (%)	—	94.8	95.9	95.7	95.4	(0.3)	

Notes

- 1 For convenience only, U.S. dollar figures have been calculated at the rate of U.S.\$1 = ¥102.92.
- 2 The total of individual insurance and individual annuities, as well as *J-type product*. The new policy amount includes net increase from conversions.
- 3 The Company conducted a 2 for 1 stock split on October 1, 2011.
- 4 Calculated based on EEV for March 31, 2010, to March 31, 2011, and Group MCEV for March 31, 2012, to March 31, 2014.
- 5 Figures are the simple a sum of the non-consolidated financial data for Taiyo Life, Daido Life, and T&D Financial Life.

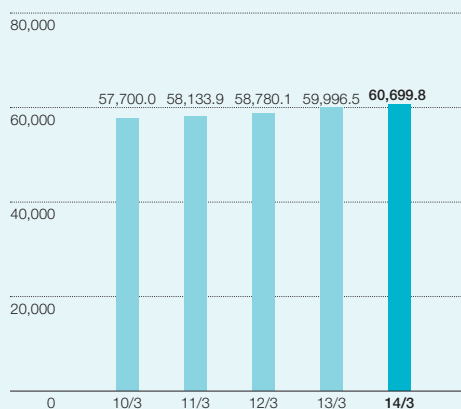
▶ New Policy Amount

¥ billions



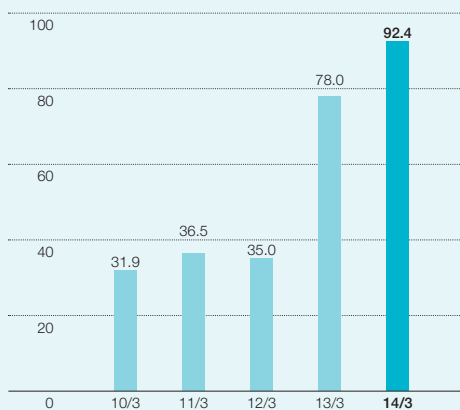
▶ Policy Amount in Force

¥ billions



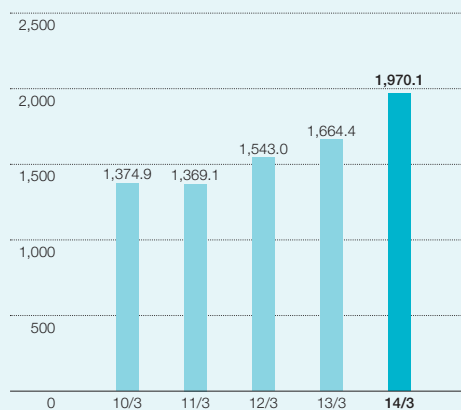
▶ Adjusted Net Income

¥ billions



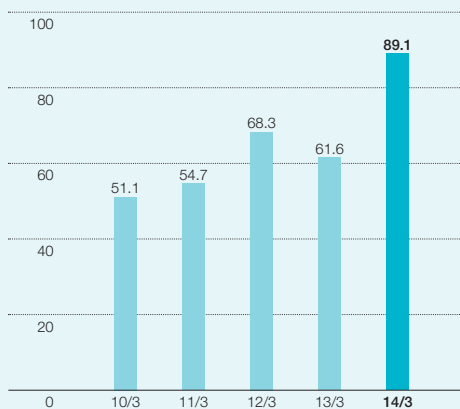
▶ EV

¥ billions



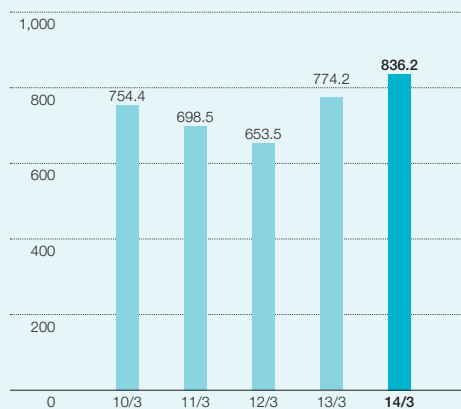
▶ Value of New Business

¥ billions



▶ Market Capitalization

¥ billions



Fiscal 2013 Management Review

In fiscal 2013, the Group recorded record results since the establishment of T&D Holdings in terms of both ordinary profit and net income. The surrender and lapse amount decreased, and the policy amount in force reached a record high, despite a drop in the aggregate new policy amount of the three life insurance companies compared to the previous fiscal year.

The aim going forward is to continue growing corporate value by making efforts centered on building the Group's robust financial base and reinforcing the core life insurance business.



Sales Results

For fiscal 2013, the aggregate new policy amount for the Group's three life insurance companies decreased 7.3% year on year to ¥6,639.8 billion. On the other hand, the surrender and lapse amount declined 2.6% year on year to ¥3,967.4 billion. Consequently, as of March 31, 2014, the policy amount in force was ¥60,699.8 billion, a 1.2% year-on-year increase.

At Taiyo Life, the total new policy amount for individual insurance and individual annuities decreased 9.3% from the previous fiscal year, due to a decline in sales of single premium products. Nevertheless, sales of installment premium policies, on which Taiyo Life has been focusing and mainly through the sales representative channel, increased 3.3% year on year. The surrender and lapse rate improved 0.14 of a percentage point year on year to 5.97%, reaching the lowest level in the past 10 years. As a result, the policy amount in force increased 2.7% from the previous fiscal year-end to ¥21,595.6 billion. This was a record level for the fifth straight year.

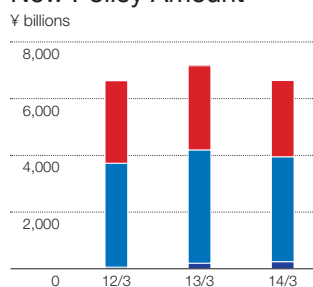
At Daido Life, the new policy amount decreased by 7.4% from the previous fiscal year. This decrease mainly reflected the impact of the increase in policy

enrollment prior to a premium rate increase in April 2013. The surrender and lapse rate improved 0.62 of a percentage point year on year, reaching its lowest-ever level in the past 10 years. As a result, the policy amount in force increased 0.9% from the previous fiscal year-end to ¥37,255.6 billion.

T&D Financial Life's new policy amount rose 27.5% year on year to ¥244.9 billion despite the fact that sales of the company's core product Shougai Premium Japan were suspended for 2.5 months due to lower interest rates.

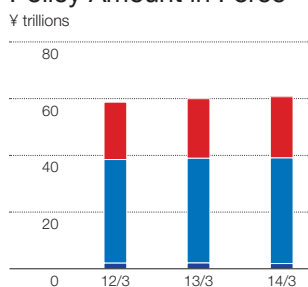
In fiscal 2014 also, the three life insurance companies will reinforce their unique business models, aiming to increase the new policy amount, and to achieve a net increase of the policy amount in force.

▶ New Policy Amount



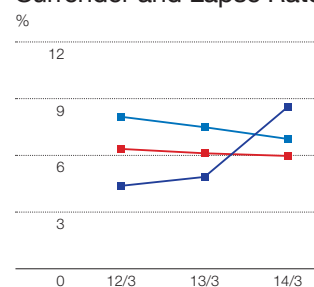
	0	12/3	13/3	14/3
Taiyo Life		¥2,911.9	¥2,974.3	¥2,696.6
Daido Life		3,666.7	3,992.5	3,698.1
T&D Financial Life		52.2	192.0	244.9
Total	¥6,630.9	¥7,158.9	¥6,639.8	

▶ Policy Amount in Force



	0	12/3	13/3	14/3
Taiyo Life		¥20.23	¥21.02	¥21.59
Daido Life		36.55	36.93	37.25
T&D Financial Life		1.98	2.04	1.84
Total	¥58.78	¥59.99	¥60.69	

▶ Surrender and Lapse Rate



	0	12/3	13/3	14/3
Taiyo Life	6.34	6.11	5.97	
Daido Life	8.04	7.49	6.87	
T&D Financial Life	4.39	4.86	8.56	

▶ Fiscal 2014 Policy Results Forecasts

	FY2014 forecasts	YoY change	FY2013 results	FY2012 results
New Policy Amount	¥ 7,100	6.9%	¥ 6,639.8	¥ 7,158.9
Taiyo Life	2,810	4.2%	2,696.6	2,974.3
Daido Life	3,910	5.7%	3,698.1	3,992.5
T&D Financial Life	380	55.2%	244.9	192.0
Policy Amount in Force	61,790	1.8%	60,699.8	59,996.5
Taiyo Life	22,250	3.0%	21,595.6	21,023.2
Daido Life	37,690	1.2%	37,255.6	36,933.2
T&D Financial Life	1,850	0.1%	1,848.5	2,040.0
Surrender and Lapse Rate	—	—	—	—
Taiyo Life	5.80%	—	5.97%	6.11%
Daido Life	7.00%	—	6.87%	7.49%
T&D Financial Life	4.60%	—	8.56%	4.86%

Earnings

In fiscal 2013, ordinary profit rose due to an increase in net investment income. Net income increased sharply to a new record.

Ordinary Profit/Net Income (Consolidated)

Ordinary profit increased by ¥34.5 billion to ¥186.2 billion, mainly due to increased net investment income supported by higher interest, dividends and income from real estate for rent. In terms of extraordinary losses, ¥24.1 billion was set aside as a provision for reserve for price fluctuations, including additional internal reserves in excess of legal requirements of ¥7.5 billion at Taiyo Life, and ¥12.0 billion at Daido Life. Reflecting these factors, net income rose by ¥15.2 billion to ¥78.9 billion.

Core Profit

The core profit for the Group's three life insurance companies increased ¥27.7 billion year on year to ¥210.2 billion. One of the main contributing factors was a ¥21.7 billion increase in interest, dividends and income from real estate for rent.

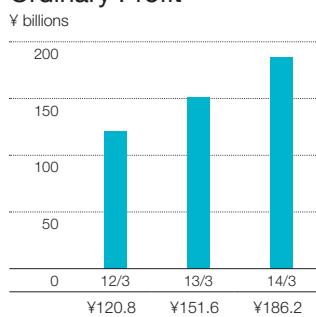
In addition, the positive spread of the three life insurance companies increased by ¥31.4 billion to ¥33.3 billion.

Fiscal 2014 Forecasts

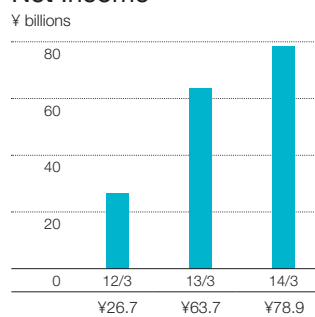
Ordinary profit is projected to decrease by around 20%, mainly based on an expected decline in net investment income at Daido Life and Taiyo Life, as well as a decrease in the minimum guarantee income at T&D Financial Life. The decrease in net income is expected to be kept at approximately 2.5%, and net income is expected to maintain the high level of the past two years.

T&D Holdings plans to pay a dividend of ¥25 per share for fiscal 2014.

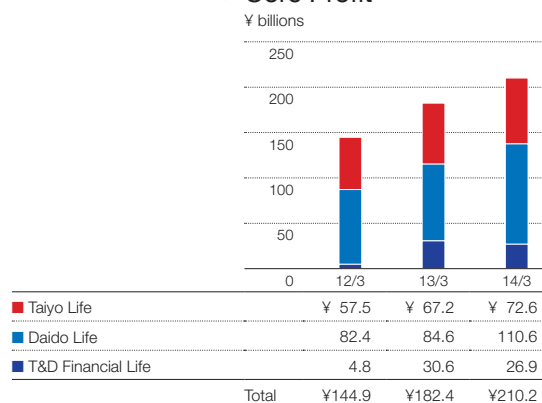
▶ Ordinary Profit



▶ Net Income



▶ Core Profit



▶ Fiscal 2014 Forecasts

	FY2014 forecasts	YoY change	FY2013 results	FY2012 results
Ordinary revenues	¥2,170	4.0%	¥2,085.7	¥2,418.9
Income from insurance premiums	1,820	13.2%	1,607.8	1,939.6
Ordinary profit	149	(20.0)%	186.2	151.6
Core profit	159	(24.4)%	210.2	182.4
Net income	77	(2.5)%	78.9	63.7

Investment

Under the Group investment policy, the T&D Life Group ensured stable income by investing mainly in yen-denominated income assets, while also working to increase investment income by investing flexibly according to market movements within each life insurance company's risk tolerance.

Group Investment Policy

Under the principle of securing assumed interest yield and giving careful consideration to attribution of liability and risk tolerance, the Group investment policy is to increase investment returns stably in compliance with the risk taking policy set as the Group's common policy. To ensure stable income, we invest mainly in yen-denominated income assets, while also investing in such risk assets as domestic and foreign stocks and foreign bonds within each life insurance company's risk tolerance, taking into consideration risk and returns.

Gains (Losses) on Sales of Securities and Devaluation Losses on Securities

The T&D Life Group recorded net gains on sales of securities and devaluation losses on securities of ¥7.5 billion, a decrease of ¥5.6 billion year on year.

Net Unrealized Gains (Losses) on Securities

Net unrealized gains on securities were ¥805.8 billion, down ¥29.0 billion from the previous fiscal year.

Net Exposure to Domestic Stocks and Foreign Currency

As of March 31, 2014, net exposure of general account assets to domestic stocks after taking into account general account assets hedging was 4.8% for Taiyo Life and 5.4% for Daido Life. Foreign currency exposure after taking into account general account exchange hedging was 3.5% for Taiyo Life and 3.7% for Daido Life.

▶ Net Exposure¹ (Fiscal 2012 → Fiscal 2013)

	Taiyo Life	Daido Life
Net exposure to domestic stocks ²	5.3% → 4.8%	4.7% → 5.4%
Foreign currency exposure ³	7.2% → 3.5%	3.1% → 3.7%

1 Each company calculates its exposure percentages using its own method.

2 Net exposure to domestic stocks includes stock futures, stock investment trusts, and stocks, etc., in monetary trusts, etc.

3 Foreign currency exposure reflects foreign currency hedges, etc.

▶ Gains (Losses) on Sales of Securities and Devaluation Losses on Securities

¥ billions

	Three companies total			Taiyo Life			Daido Life		
	14/3	13/3	Change	14/3	13/3	Change	14/3	13/3	Change
JGBs, other bonds	¥ 4.5	¥14.5	¥ (9.9)	¥ 3.4	¥15.6	¥(12.2)	¥ 0.3	¥(1.0)	¥ 1.3
Stocks, etc.	10.5	(4.7)	15.2	10.0	(3.7)	13.7	0.5	(4.0)	4.6
Foreign securities	(6.4)	6.8	(13.2)	(1.8)	4.7	(6.6)	(4.5)	2.0	(6.6)
Others	(1.1)	(3.4)	2.3	—	—	—	(1.1)	(3.4)	2.3
Total	¥ 7.5	¥13.1	¥ (5.6)	¥11.6	¥16.7	¥ (5.0)	¥(4.8)	¥(6.5)	¥ 1.6

▶ Net Unrealized Gains (Losses) on Securities⁴

¥ billions

	Three companies total			Taiyo Life			Daido Life		
	14/3	13/3	Change	14/3	13/3	Change	14/3	13/3	Change
Domestic bonds	¥389.8	¥459.2	¥(69.4)	¥208.1	¥253.0	¥(44.9)	¥157.0	¥175.3	¥(18.2)
Domestic stocks	253.1	199.7	53.4	155.6	133.8	21.8	97.5	65.9	31.5
Foreign securities	131.8	148.2	(16.4)	101.1	126.0	(24.9)	30.7	22.1	8.5
Other securities	14.3	9.9	4.3	5.4	5.7	(0.2)	8.8	4.2	4.6
Others	16.6	17.7	(1.0)	6.6	8.0	(1.3)	8.9	9.5	(0.6)
Total	¥805.8	¥834.9	¥(29.0)	¥477.0	¥526.7	¥(49.6)	¥303.2	¥277.2	¥ 25.9

4 Relates to securities with fair values.

Capital

Financial Soundness

The solvency margin ratios of the three life insurance companies as of March 31, 2014 were 981.3% for Taiyo Life, 1,156.4% at Daido Life, and 1,051.2% at T&D Financial Life. The T&D Life Group thus has sufficient financial soundness.

In order to further reinforce financial soundness in preparation for further strengthening of regulations that are expected going forward, we will continue to accumulate internal reserves. For fiscal 2013, Taiyo Life set aside ¥7.5 billion and Daido Life set aside ¥12.0 billion as additional internal reserves in excess of legal requirements related to provision for reserve for price fluctuations. (As regards the financial soundness indicator for economic value, please refer to “Capital Adequacy” on page 10.)

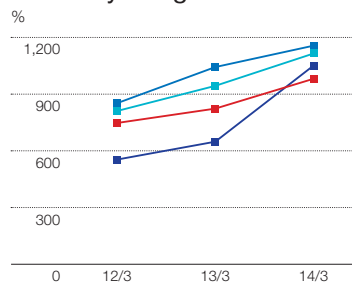
Returns to Shareholders

In deciding the payout ratio, the Group first takes into consideration maintaining sufficient equity capital to ensure the financial soundness of its three life insurance companies. Over the medium- and long-term, T&D Holdings aims to stably return profits to shareholders based on a total return to shareholders ratio of approximately 30% of adjusted net income, which is net income plus additional internal reserves in excess of legal requirements related to reserves for contingency and price fluctuations, after taxes.

Adjusted net income for fiscal 2013 was ¥92.4 billion. In fiscal 2013, T&D Holdings provided a total return to shareholders of ¥26.8 billion, comprising a cash dividend of ¥25 per share (a ¥2.5 increase) and a share buyback involving the repurchase of 7.4 million shares at a total cost of approximately ¥10.0 billion.

T&D Holdings also plans to pay a dividend of ¥25 per share for fiscal 2014.

▶ Solvency Margin Ratio



	0	12/3	13/3	14/3
T&D Holdings' Consolidated		810.6%	943.8%	1,115.0%
Taiyo Life		747.3%	823.4%	981.3%
Daido Life		851.9%	1,043.2%	1,156.4%
T&D Financial Life		553.7%	648.4%	1,051.2%

▶ Return to Shareholders and Adjusted Net Income

	12/3	13/3	14/3
Total return to shareholders (¥ billions)	20.1	18.1	26.8
Total dividends (¥ billions)	15.1	15.1	16.8
Dividends per share (¥)	⟨¥22.50⟩	⟨¥22.50⟩	⟨¥25⟩
Share buybacks (¥ billions)	approx [5.0* ¹]	approx 3.0* ²	approx 10.0* ³
Adjusted net income (¥ billions)	35.0	78.0	92.4
Net income (¥ billions)	26.7	63.7	78.9
Excess amount of reserve for contingency and price fluctuations, after taxes (¥ billions)	8.3	14.3	13.5

1 The Company also conducted an approx ¥5.0 bn share buyback from November to December 2011.

2 The Company conducted a share buyback in May 2013 as a shareholders' return for the FY2012 earnings.

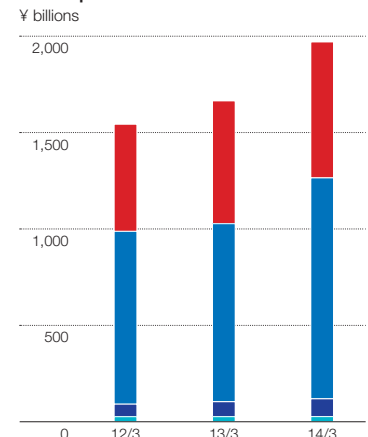
3 The Company conducted a share buyback from May to June 2014 as a shareholders' return for the FY2013 earnings.

EV

The MCEV as of March 31, 2014 is ¥1,943.4 billion, an increase of ¥305.3 billion year on year.

The Group MCEV, which is MCEV with net asset value of non-covered business, as of March 31, 2014 is ¥1,970.1 billion, an increase of ¥305.7 billion year on year.

▶ Group MCEV



	0	12/3	13/3	14/3
Adjusted net worth	¥1,036.6	¥1,435.8	¥1,505.9	
Taiyo Life	480.1	698.5	684.5	
Daido Life	490.4	644.7	721.7	
T&D Financial Life	66.1	92.4	99.7	
Value of in-force business	480.0	202.2	437.4	
Taiyo Life	75.3	(61.5)	20.6	
Daido Life	406.0	278.7	424.2	
T&D Financial Life	(1.2)	(14.9)	(7.4)	
Net asset value of non-covered business	26.3	26.4	26.7	
Group MCEV	¥1,543.0	¥1,664.4	¥1,970.1	

Value of New Business

The new policy margin rose due to lower assumed interest rates of some products and improvements such as the claim incidence rate. As a result, the value of new business improved ¥27.5 billion from the previous fiscal year-end, to ¥89.1 billion.

Movement Analysis

In addition to new business, the Group changed its insurance assumptions such as improvements to the claim incidence rate, the surrender and lapse rate, and the operating maintenance expenses rate, and there were economic variances such as rising stock prices. As a result, MCEV was up ¥305.3 billion from the end of the previous fiscal year.

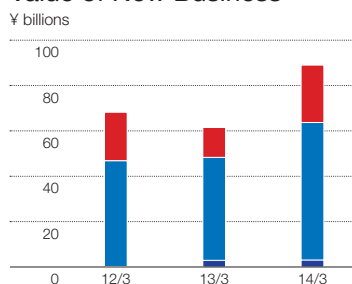
The expected return rate was 0.728%, reflecting the risk premiums for each asset class that were used to arrive at expected returns.

The expected existing business contribution (reference rate) includes the projected amounts of the time value of financial options and guarantees, the cost of non-hedgeable risks, and the frictional cost of capital: ¥12.7 billion, ¥10.5 billion and ¥0.3 billion, respectively.

Sensitivity

The impact of changes in assumptions (sensitivities) on MCEV results is summarized below. For each sensitivity, only one specific assumption is changed and other assumptions remain unchanged from the base. It should be noted that the effect of the change of more than one assumption at a time is likely to be different from the sum of two sensitivities with only one assumption change. Under different sensitivity scenarios, the basis for policy reserves (excluding reserves for separate accounts) is unchanged, in line with the Japanese statutory reserving rules.

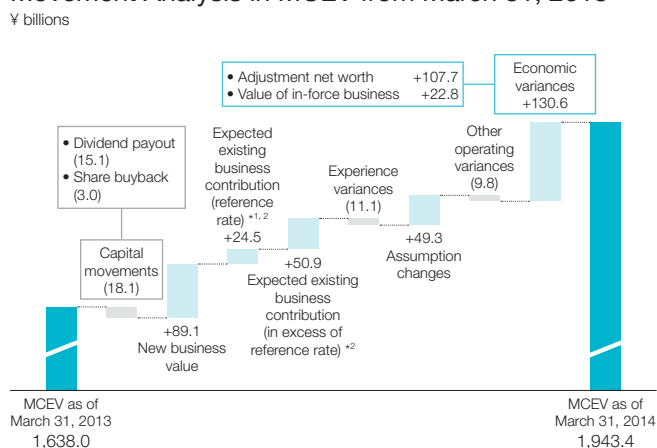
Value of New Business



	12/3	13/3	14/3
Taiyo Life	¥21.4	¥13.2	¥25.3
Daido Life	46.7	45.4	60.7
T&D Financial Life	0.1	2.9	3.0
Three companies total	68.3	61.6	89.1
New business margin	5.2%	3.5%	6.4%

New business margin = Value of new business / Present value of new business premiums

Movement Analysis in MCEV from March 31, 2013



1 The expected existing business contribution (reference rate) includes the projected amounts of the time value of financial options and guarantees, the cost of non-hedgeable risks, and the frictional cost of capital: ¥12.7 billion, ¥10.5 billion and ¥0.3 billion, respectively.

2 The expected return rate was 0.728%, reflecting the risk premiums for each asset class that were used to arrive at expected returns.

Sensitivities

			MCEV	Adjusted net worth	Value of in-force business	Value of new business
			¥1,943.4	¥1,505.9	¥ 437.4	¥ 89.1
MCEV as of March 31, 2014 (base scenario)						
Economic factor	Interest rate (forward rate; for all future years) ¹	+50bp	125.9	(297.7)	423.6	18.5
		-50bp	(142.1)	234.2	(376.4)	(19.4)
	Equity and real estate value	-10%	(86.1)	(82.2)	(3.8)	—
Other factor	Lapse rate	x 0.9	83.6	—	83.6	12.4
	Operating maintenance expenses	x 0.9	44.8	—	44.8	3.0
	Claim incidence rates for the life business	x 0.95	90.2	—	90.2	6.4
	Mortality for the annuity business	x 0.95	(4.2)	—	(4.2)	0.0
	Change the required capital to 200% solvency margin ratio		15.5	—	15.5	0.9
25% increase in equity implied volatility			(0.5)	1.7 ²	(2.2)	(0.0)
25% increase in swapion implied volatility			(35.5)	—	(35.5)	(0.3)

1 Fixed interest assets (bonds loans, etc.) are revalued according to the change in the interest rate. The value of in-force business is re-calculated according to the change of investment yield and risk discount rate. Policyholder behavior also changes corresponding to these changes. If interest rate becomes negative after the deduction of 0.5%, 0% is applied instead.

2 The increase of adjusted net worth for equity implied volatility is due to the increase of the market value of put options held by T&D Financial for the purpose of hedging minimum guarantee risk of variable annuities.

Life Insurance Industry Trends in Japan

Years ended March 31

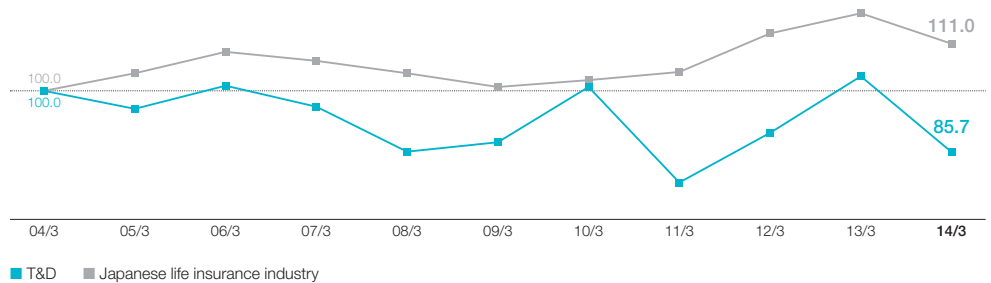
▶ Total for Private-Sector Life Insurance Companies¹

	2004	2005	2006	2007	2008
Income from Insurance Premiums	¥ 26,390.6	¥ 27,860.8	¥ 29,244.8	¥ 28,502.8	¥ 27,953.8
Insurance premiums	25,960.8	27,022.1	28,332.9	27,766.2	27,023.0
Policy Amount in Force	1,222,212.4	1,186,279.9	1,150,987.3	1,112,199.6	1,067,365.0
Individual insurance	1,152,648.5	1,112,170.5	1,070,570.8	1,026,336.0	979,437.4
Individual annuities	69,563.9	74,109.4	80,416.4	85,863.6	87,927.6
New Policy Amount	106,581.0	98,626.5	89,375.0	76,907.8	66,673.0
Individual insurance	101,381.1	91,159.2	80,753.4	67,991.9	58,649.5
Individual annuities	¥ 5,199.8	¥ 7,467.2	¥ 8,621.6	¥ 8,915.9	¥ 8,023.4

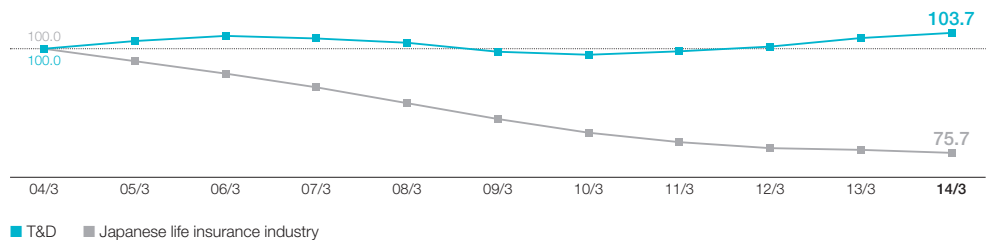
▶ 10-Year Historical Variation²

Base Year (10 Years Ago) = 100.0

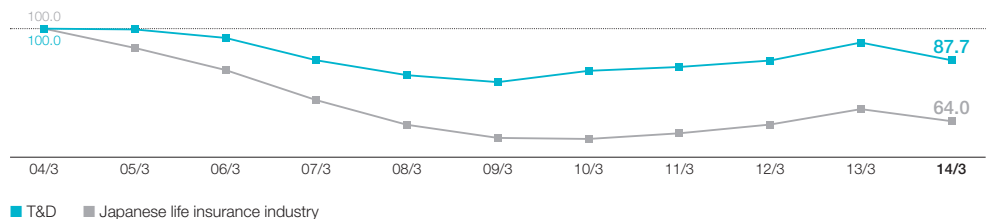
Insurance Premiums



Policy Amount in Force



New Policy Amount



¹ Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan.
The policy amount in force and the new policy amount are the sums of individual insurance and annuities. The new policy amount includes net increase from conversions. Figures do not include Japan Post Insurance. For convenience, U.S. dollar figures have been calculated at the rate of U.S.\$1 = ¥102.92.

² Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan.
Insurance premiums, new policy amount, and policy amount in force for the year ended March 31, 2004, are assumed to be 100.0 (base year).
The new policy amount includes net increase from conversions. Figures do not include Japan Post Insurance.

					¥ billions	US\$ billions
2009	2010	2011	2012	2013	2014	2014
¥ 27,329.4	¥ 27,759.8	¥ 27,760.6	¥ 30,173.1	¥ 31,587.3	¥ 29,872.6	\$ 290.2
26,182.7	26,610.5	27,111.9	29,432.6	30,658.7	28,826.8	280.0
1,021,458.2	983,269.5	955,441.1	938,437.2	933,494.1	924,149.8	8,979.3
932,971.8	890,603.9	861,954.2	842,303.3	833,170.6	823,805.0	8,004.3
88,486.4	92,665.6	93,486.8	96,133.9	100,323.5	100,344.8	974.9
61,306.8	60,877.8	63,158.0	66,563.3	72,759.3	67,756.1	658.3
53,992.7	53,390.8	57,087.2	59,386.1	64,829.8	60,276.9	585.6
¥ 7,314.0	¥ 7,486.9	¥ 6,070.8	¥ 7,177.1	¥ 7,929.5	¥ 7,479.2	\$ 72.6

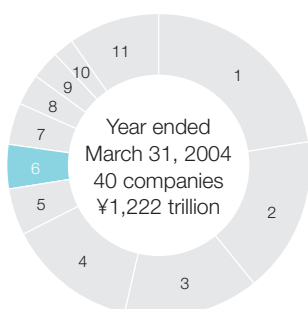
▶ Comparison with Market Share 10 Years Ago³



1	Nippon	19.8%
2	Dai-ichi	13.2%
3	Meiji Yasuda	12.7%
4	Sumitomo	10.4%
5	AIG ⁴	7.3%
6	T&D	7.2%
7	Mitsui	3.5%
8	Aflac	3.4%
9	Fukoku	2.9%
10	Asahi	2.6%
11	Others	17.0%



1	Nippon	16.7%
2	Dai-ichi ⁵	13.9%
3	Meiji Yasuda	12.5%
4	Sumitomo ¹¹	8.7%
5	Prudential US ⁶	8.0%
6	Aflac	5.7%
7	T&D	5.6%
8	MetLife Alico	4.8%
9	MS&AD ⁹	4.3%
10	Sony ⁸	3.9%
11	Others	15.7%



1	Nippon	22.8%
2	Dai-ichi	16.6%
3	Sumitomo	14.4%
4	Meiji Yasuda	13.8%
5	Asahi	5.1%
6	T&D	4.8%
7	Mitsui	4.5%
8	AIG ⁴	3.3%
9	Fukoku	3.1%
10	Sony	2.1%
11	Others	9.6%



1	Nippon	18.6%
2	Dai-ichi ⁵	15.2%
3	Sumitomo ¹¹	11.5%
4	Meiji Yasuda	10.0%
5	Prudential US ⁶	7.5%
6	T&D	6.6%
7	Sony ⁸	4.3%
8	Fukoku ⁷	3.2%
9	MetLife Alico	3.1%
10	Asahi	2.9%
11	Others	17.3%



1	Nippon	18.3%
2	Dai-ichi	14.4%
3	Meiji Yasuda	12.2%
4	Sumitomo	11.9%
5	T&D	7.1%
6	AIG ⁴	5.4%
7	Mitsui	3.9%
8	Fukoku	3.5%
9	Sony	3.5%
10	Asahi	3.3%
11	Others	16.5%



1	Nippon	14.2%
2	Dai-ichi ⁵	11.2%
3	Prudential US ⁶	10.3%
4	T&D	9.7%
5	Sumitomo ¹¹	6.5%
6	Sony ⁸	5.9%
7	MetLife Alico	5.8%
8	MS&AD ⁹	5.1%
9	Meiji Yasuda	4.7%
10	Tokio Marine & Nichido ¹⁰	4.7%
11	Others	21.8%

³ Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan.
The new policy amount and the policy amount in force are the sums of individual insurance and annuities and the insured amount of *J-type product* (insurance for serious diseases). Figures do not include Japan Post Insurance.
⁴ AIG refers to Alico Japan, AIG Star and AIG Edison.
⁵ Dai-ichi refers to Dai-ichi and Dai-ichi Frontier.

⁶ Prudential US refers to Prudential, Gibraltar and Prudential Gibraltar Financial.
⁷ Fukoku refers to Fukoku and Fukokushinrai.
⁸ Sony refers to Sony and AEGON Sony Life.
⁹ MS&AD refers to Mitsui Sumitomo Aioi and Mitsui Sumitomo Primary.
¹⁰ Tokio Marine & Nichido refers to Tokio Marine & Nichido Life and Tokio Marine & Nichido Financial.
¹¹ Sumitomo refers to Sumitomo and Medicare.

Fiscal 2013 Topics

Increase in Core Profit

Most life insurers recorded higher core profit from core insurance operations in fiscal 2013. This was mainly due to higher interest income on foreign bonds because Japan's Abe government implemented economic policies known as "Abenomics" that led to the yen's depreciation. Other contributing factors included higher stock dividend income from improvements in corporate earnings, and a reduction in provision for policy reserve relating to the minimum guarantee risk of variable annuities after a rally in the stock market.

In fiscal 2013, the standard yield rate, which companies are obliged to use as the interest rate for calculating policy reserves, was revised for the first time in 12 years, with a reduction from 1.5% to 1.0%. In response, each life insurer acted by raising the premiums of single premium products and, at the same time, devising pricing strategies for all protection-oriented products.

As of March 31, 2014, the number of life insurers in Japan stood at 43.

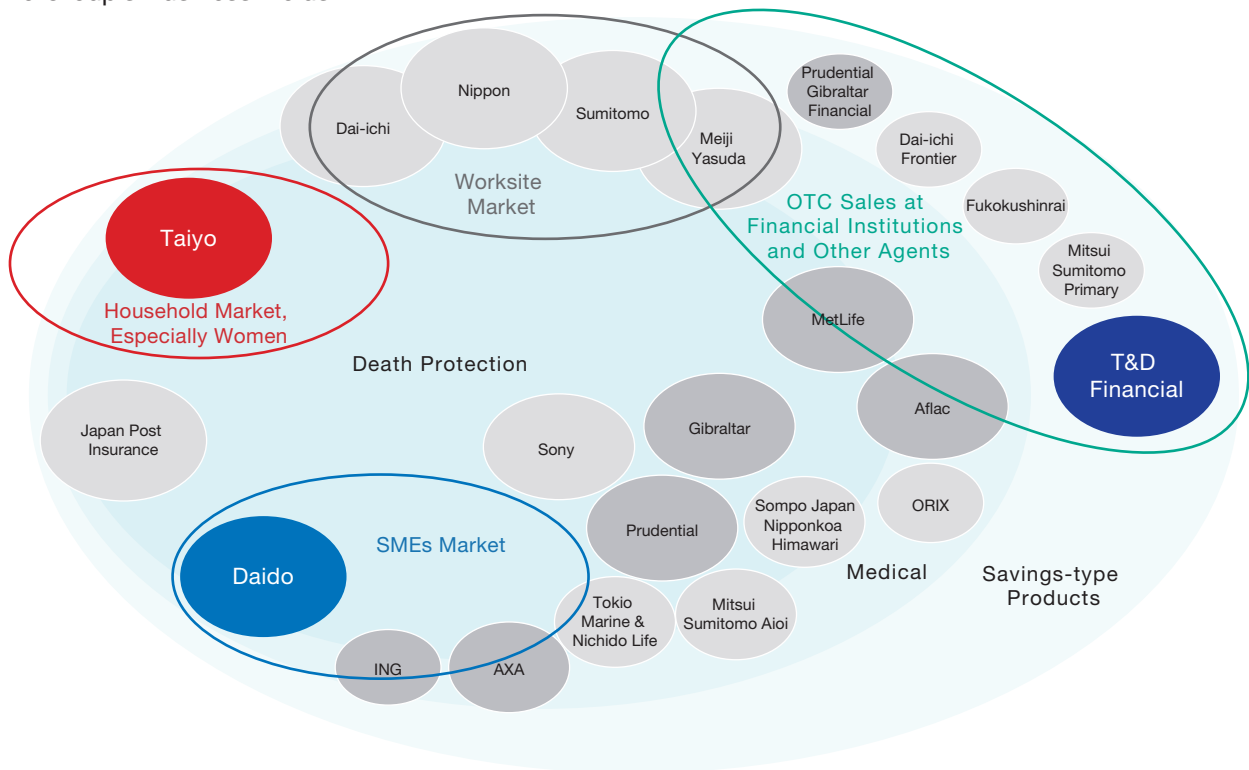
Changes in Customer Needs and Sales Results

Amid decreases in the working-age population and increases in the number of seniors, Japan's social insurance costs are rising year after year. As a result, the majority of Japanese are likely to see private insurance coverage as a necessary adjunct to the public insurance system.

Also, Japanese family structures are changing due to low birthrates, higher life expectancy, and later marriages. While these changes are lowering demand for large death protection coverage for heads of households, demand is growing for Third Sector products, such as medical care insurance.

The sales results of life insurance companies reflect these changes in customer needs. In fiscal 2013, insurance premiums for individual insurance and annuities at Japan's private-sector life insurance companies amounted to ¥28.8 trillion. Of this amount, Third Sector products have come to account for a certain share of insurance premiums.

▶ T&D Life Group's Business Fields



Note: Compiled by T&D Holdings
Other companies may view the market differently.

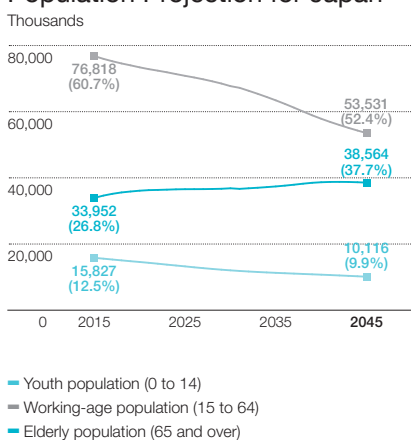
Channel and Product Diversification

In addition to the traditional approach of in-house sales representatives, sales channels for life insurance policies are diversifying to include online sales and other direct marketing channels aimed at younger generations. Over-the-counter (OTC) sales at financial institutions are now tending to drive growth in new policy amount and income from insurance premiums for life insurers, and have therefore become a key sales channel for them. Further product diversification is expected in OTC sales at financial institutions going forward.

Independent insurance agents are rapidly expanding retail networks of manned sales offices to attract customers by enhanced convenience in terms of good location next to stations or in shopping malls, and by enabling customers to select products from multiple insurers.

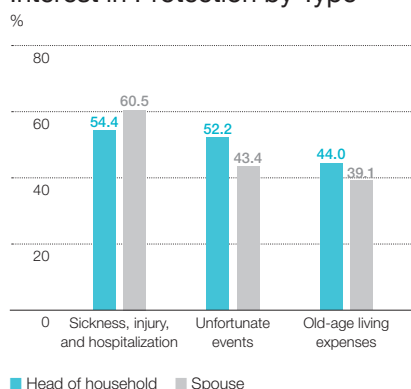
As for products, there is an ongoing shift away from the complex protection products of the past toward products that are simple and easier to understand. Companies are launching products that reflect changes in customer needs or the characteristics of specific sales channels. These include products that allow customers to freely choose the required protection without riders and products that curb costs by including only the necessary protection.

► Population Projection for Japan



Source: National Institute of Population and Social Security Research, *Japan's Future Population Trends* (demographic projections as of January 2012)
 Note: Figures in parentheses represent a proportion of the total population.

► Interest in Protection by Type



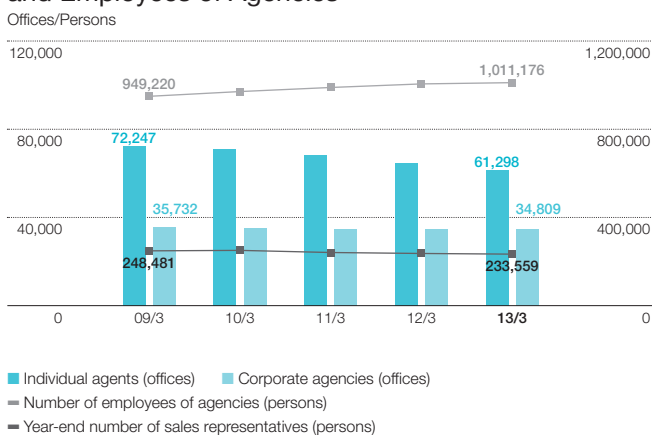
Source: Japan Institute of Life Insurance, *Nationwide Actualities Survey on Life Insurance in Fiscal 2012* (published December 2012)

► Japan's Share of the Global Life Insurance Market (Insurance Premiums)

Rank	Country	Premium Volume (US\$ billions)	Share (%)
1	U.S.A.	532.8	20.4%
2	Japan	422.7	16.2%
3	U.K.	222.8	8.5%
4	France	160.1	6.1%
5	China	152.1	5.8%
6	Italy	117.9	4.5%
7	Germany	114.3	4.4%
8	South Korea	91.2	3.5%
9	Taiwan	75.0	2.9%
10	Canada	52.3	2.0%
11	Others	666.4	25.6%
World total		2,620.8	100.0%

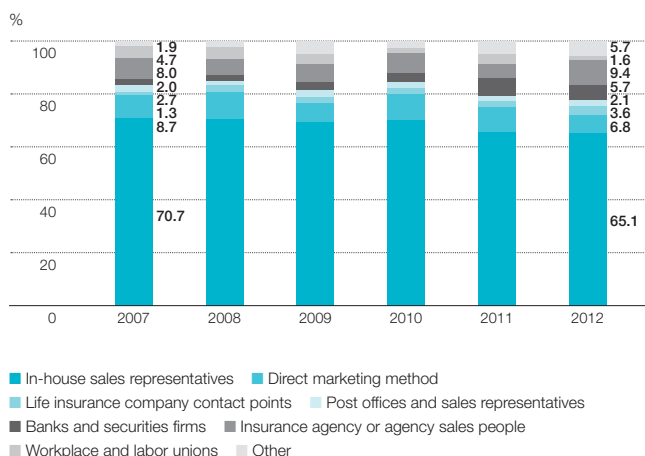
Source: Compiled by T&D Holdings based on Swiss Re, sigma No 3/2014 World insurance in 2013

► Number of Sales Representatives, Agents, and Employees of Agencies



Source: Life Insurance Association of Japan, *2012 Life Insurance Trends*
 Note: The number of employees of agencies is the total number of employees of corporate and individual agencies.

► Utilization of Sales Channels (Private Life Insurers)



Source: Japan Institute of Life Insurance, *Nationwide Actualities Survey on Life Insurance in Fiscal 2012* (published December 2012)

Businesses at a Glance

Taiyo Life Insurance Company

Serving Household Insurance Needs

Taiyo Life focuses on serving the household market, mainly targeting women, the middle-aged, and elderly people. The company sells comprehensive life coverage, which is centered on death protection and medical/nursing care products. Unlike other life insurers that typically target the workplace, Taiyo Life uses an in-house sales force of women of the same generation as target customers to visit customers at home and provide advice in tailoring policies to specific needs. Based on an extensive customer database and wealth of expertise, Taiyo Life aims to provide coverage for the whole family by broadening its market to include heads of households and children.

Market	Households
Sales channel	In-house sales representatives
Products	Comprehensive coverage centered on death protection and medical/nursing care products

Daido Life Insurance Company

Serving the Needs of SMEs

Daido Life focuses on the small and medium enterprises (SMEs) market and provides protection for corporations centered on the sale of partner-specific products in collaboration with tie-up groups. The links to entities such as the National Federation of Corporate Taxpayers Associations (NFCTA), the Tax Payment Associations (TPA) and the TKC National Federation have afforded Daido Life's business model a competitive edge over other firms, helping Daido Life to build a leading position in term life insurance in the SME market.

Going forward, the firm aims to provide a full range of protection by providing policies that cater to various insurance needs of SME business owners. To this end, Daido Life will offer its core term life insurance and insurance for serious diseases (*J-type product*), as well as products catering to high-risk individuals, medical insurance (*M-type product*), other Third Sector products, and savings-type products (*Life Gift*, etc.) designed for inheritance planning, wealth building and other purposes.

Market	Small and medium enterprises (SMEs)
Sales channel	In-house sales representatives, agents (tax accountants, etc.)
Products	Term life insurance, insurance for serious diseases, etc.

Catering to a Variety of Needs through OTC Sales at Financial Institutions and Other Independent Insurance Agents

T&D Financial Life provides insurance products through independent insurance agents, including banks, securities firms and insurance shop agents. As of the end of March 2014, the firm had expanded its sales network to 119 financial institution agents, establishing a solid sales base centered on Japan's top commercial banks.

In the future, T&D Financial Life aims to offer products to serve a broad range of needs, such as post-retirement living expenses and protection for bereaved families. Initiatives here include enhancing and expanding sales channels by strengthening ties with agents and product lineups incorporating customer needs.



Serving a Wide Range of Asset Management Needs for Individual Investors, Institutional Investors and Other Clients

As a core company of the T&D Life Group, T&D Asset Management conducts an asset management business resting on two core businesses: the investment trust and investment advisory services businesses.

T&D Asset Management

Investment trust business	Provide a wide array of prime investment products mainly to individual investors through sales companies (securities firms, etc.)
Investment management and advisory services	Provide timely solutions to domestic and overseas pension funds and institutional investors

Serving the Needs of Pet Owners in Meeting the Veterinary Expenses of Pets

Pet & Family Small-amount Short-term Insurance provides insurance protection for meeting the veterinary expenses of pets mainly through the pet shop sales channel in the pet insurance market, which is expected to continuing growing into the future.



Market	Pets
Sales channel	Agents (pet shops, etc.)
Products	Compensation insurance for pet vet expenses



Katsuhide Tanaka
Representative Director and President

Focusing on insurance sales in the household market, we will deliver optimal comprehensive coverage to households through superior sales capabilities, aiming to expand our customer base, and to increase EV and the policy amount in force.

Management Targets

Fiscal 2014

- ▶ Policy amount in force
¥22,250 billion
- ▶ New policy amount
¥2,810 billion

Fundamental Strategy

- ▶ Promote unique marketing methods utilizing a wide customer base of women and middle-aged and elderly people
- ▶ Offer comprehensive coverage that meets customer needs for death protection as well as medical and nursing care insurance through the in-house sales representative channel in the household market
- ▶ Increase the number of sales representatives and the new policy amount

Business Model

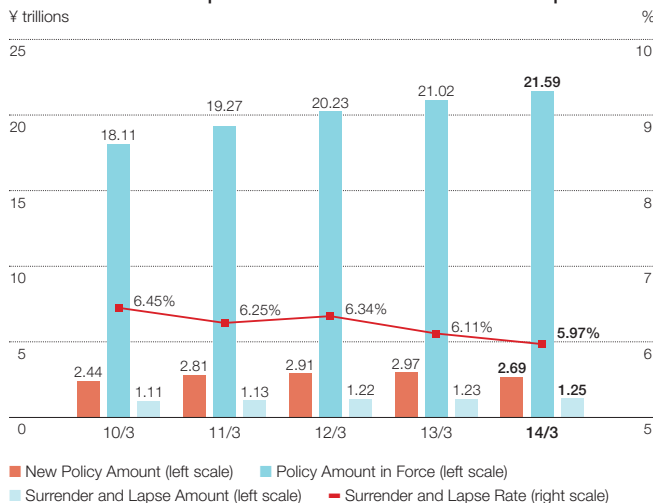
Market	Households
Sales channel	In-house sales representatives
Products	Comprehensive coverage centered on death protection and medical/nursing care products

PERFORMANCE AND OPERATIONAL REVIEW

In fiscal 2013, ended March 31, 2014, the new policy amount (individual insurance and individual annuities) decreased 9.3% year on year to ¥2,696.6 billion. The main factor behind the lower new policy amount was a decline in sales of single premium products. This, in turn, reflected lower assumed interest rates for single premium products and the suspension of single premium endowment insurance sales, following a downward revision of the standard interest rate. Meanwhile, Taiyo Life has been focusing on sales of installment premium policies, mainly through the sales representative channel, with sales of these policies increasing 3.3% year on year. The surrender and lapse rate improved 0.14 of a percentage point to 5.97%. The policy amount in force reached another record high for a fiscal year-end result of ¥21,595.6 billion. As of March 31, 2014, MCEV was ¥705.1 billion, up ¥68.1 billion year on year.

In fiscal 2013, Taiyo Life implemented the following measures on the product and sales fronts.

▶ New Policy Amount/Policy Amount in Force/ Surrender and Lapse Amount/Surrender and Lapse Rate



First, on the product front, Taiyo Life strengthened the development of Third Sector products. In April 2013, Taiyo Life revised *Hoken Kumikyoku Best* by expanding the scope of hospitalization and surgery coverage. In November 2013, Taiyo Life renewed two types of medical insurance policies that can be purchased by customers who have health concerns, in an effort to upgrade hospitalization and surgery coverage. Specifically, it launched *Hoken Kumikyoku Best Kisei Kanwa*, a medical insurance policy with relaxed conditions and coverage options, and *Taiyo Seimei No Yasashii Hoken*, a medical insurance policy without coverage options. In fiscal 2013, Taiyo Life also launched *My Kaigo Best* through OTC sales at banks to fulfill both the nursing care and estate planning needs of customers.

Next, on the sales front, Taiyo Life sought to improve the quality and amount of training for sales representatives. Specifically, Taiyo Life increased the number of personnel responsible for training while revamping the training system for new sales representatives mainly by increasing training hours and revising the training curriculum. At the same time, to

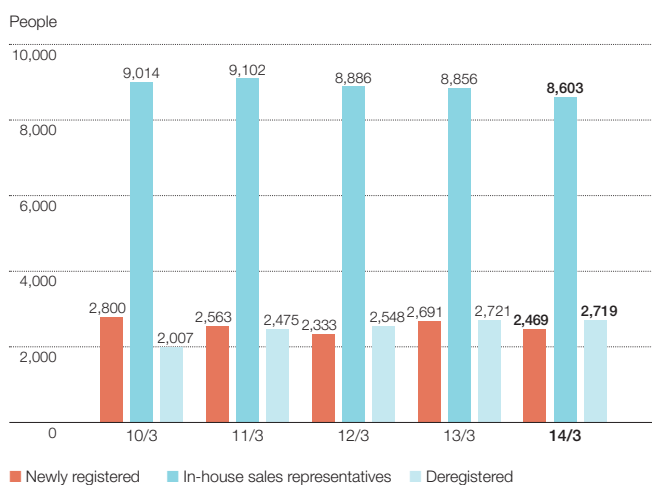
enhance the consulting skills of sales representatives, Taiyo Life is also encouraging sales representatives to gain financial planning qualifications. A total of 522 people gained the “FP” qualification in fiscal 2013, bringing the total number of qualified people to 2,970.

Furthermore, Taiyo Life reviewed its branch strategy after implementing a survey of the nationwide insurance market. Based on this review, in October 2013, Taiyo Life opened two sales offices with the aim of developing new markets.

FUNDAMENTAL STRATEGY

Established in 1893, Taiyo Life is a life insurance company with a history of more than 120 years. From the 1950s, the company adopted a unique marketing strategy focused on high volume sales of short-term endowment insurance—a highly savings-oriented product—in the household market to housewives through door-to-door sales activities. As a result, Taiyo Life has built a unique customer base centered on middle-aged and elderly people as well as women. A combination of prolonged

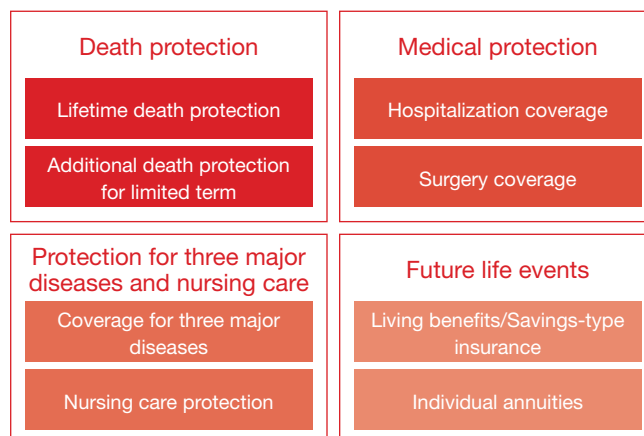
► In-house Sales Representatives



► Overview of Mainstay Products for Taiyo Life’s *Hoken Kumikyoku Best*

- Flexible custom-made design to match customer needs
- Flexible revision according to changing needs
- Introduction of new protection (nursing care protection, surgery coverage, hospitalization protection with lump-sum benefits)
- More reasonably priced than existing products

All protection treated as basic policy. Customers can flexibly add or drop the protection parts to meet their needs



low interest rates, deregulation, shifting customer needs and other factors produced changes in the operating environment from the mid-1990s. Taiyo Life quickly adapted to these changes by shifting its sales emphasis from savings-oriented products to protection-oriented products, such as death protection as well as medical and nursing care insurance.

Hoken Kumikyoku Best, Taiyo Life's mainstay product, differs from conventional insurance plans in that it allows for combinations of individual insurance coverage (basic policies) through *Hoken Kunitate Tokuyaku* rider. This serves to boost the freedom of insurance planning and revision, while also making products more simply and easily understood and more affordably priced. This product enables Taiyo Life to provide many customers with lifelong high-quality, fine-tuned support and services as their circumstances change.

MARKETING STRATEGY

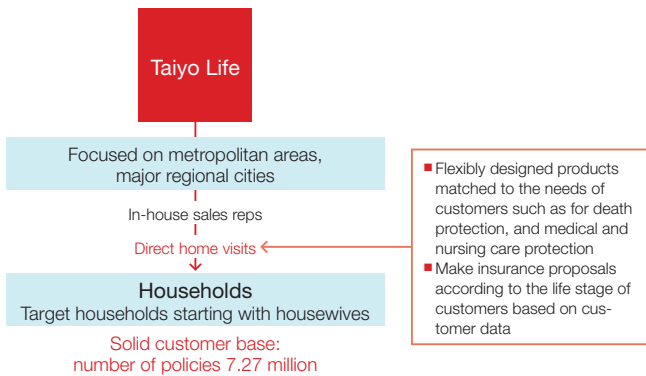
Taiyo Life has adopted a basic marketing strategy that is quite different from that of other large domestic life insurers. Whereas other life insurers have extended their marketing networks

nationwide, Taiyo Life is conducting sales activities closely tied to metropolitan areas and major regional cities with high population densities. This enables the company to carry out home-visit marketing activities with efficiency, and to cultivate the household market in greater depth. Moreover, in contrast to most large Japanese life insurers, whose core sales target is the worksite market, Taiyo Life employs a sales consulting approach in which sales representatives visit customers at home and can take more time to discuss the insurance needs of the customer.

FUTURE GROWTH

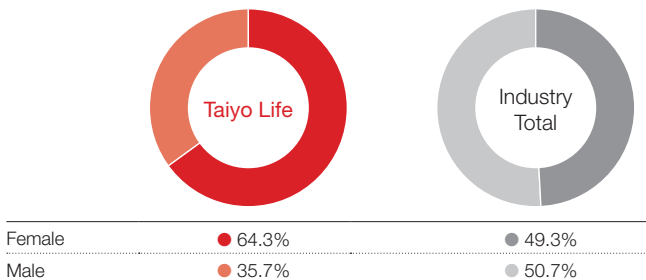
Taiyo Life has formulated a two-year medium-term management plan running from April 2014 to March 2016. Under this plan, Taiyo Life has embraced "Aim to be a life insurance company that delivers optimal comprehensive coverage to households" as its Corporate Vision. Guided by this vision, Taiyo Life will strengthen its unique business model that integrates product and market channels.

▶ Taiyo Life's Sales Strategy



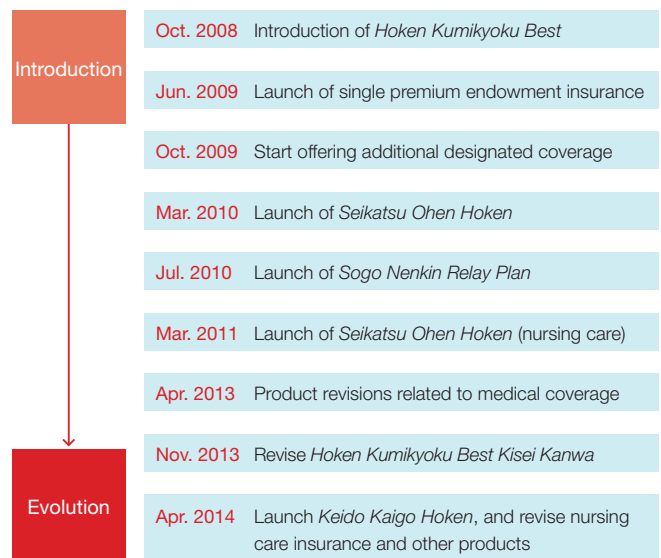
▶ New Policyholders by Gender

%, based on number of policies



Source: Compiled by T&D Holdings based on *Summary of Life Insurance Business in Japan* (Fiscal 2013), Life Insurance Association of Japan

▶ Evolution of *Hoken Kumikyoku Best*



On the product front, Taiyo Life upgraded its lineup of nursing care protection products under its mainstay product *Hoken Kumikyoku Best*, in order to address increasingly stronger needs for nursing care protection. Specifically, Taiyo Life began selling a new product *Keido Kaigo Hoken* that provides coverage from long-term care level 1 or above under Japan's Long-term Care Insurance System. The company also expanded the scope of coverage of products that had previously covered long-term care level 3 or above to coverage starting from long-term care level 2. By continuing to drive the evolution of *Hoken Kumikyoku Best* in line with customer needs, Taiyo Life will deliver high-quality products and services to the household market, with the aim of further expanding the customer base and increasing the policy amount in force.

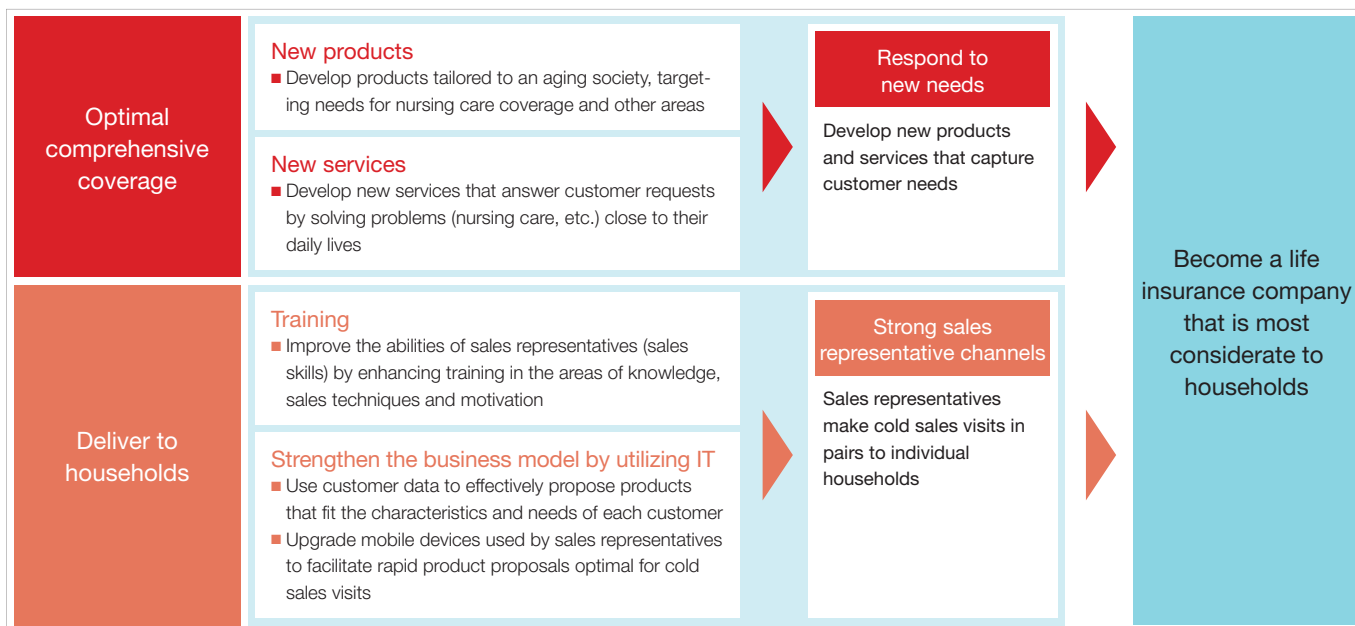
On the marketing front, Taiyo Life will improve sales representatives' capabilities by enhancing training in areas such as knowledge and sales techniques. At the same time, Taiyo Life will strengthen its business model by utilizing IT. One measure will be to use customer data to effectively propose products that fit the characteristics and needs of each customer.

TRANSFORMING TAIYO LIFE INTO A PROVIDER OF COVERAGE FOR THE WHOLE FAMILY

Taiyo Life is working to offer coverage for the whole family by leveraging a customer base in the household market, centered on housewives, as a stepping-stone to broaden its market to include heads of households and children. Generally, to sell insurance to the head of household in Japan, a sales agent goes to the husband's workplace. Taiyo Life, however, works from the housewives' point of view, selecting the insurance product based on the necessary protection for the family left behind if something should happen to the husband. This approach allows Taiyo Life to propose insurance in a manner that wins the understanding of customers. Taiyo Life will sell insurance that is optimally designed for each customer, based on an analysis of the household's insurance coverage to determine where there is insufficient protection. Through this process, Taiyo Life will provide coverage for the whole family.

▶ Medium-term Management Plan

—Aim to be a life insurance company that delivers optimal comprehensive coverage to households—





Tetsuhiro Kida
Representative Director and President

Daido Life aims to bring the greatest peace of mind and the utmost satisfaction to small and medium enterprise (SME) customers.

Management Targets

Fiscal 2014

► Policy amount in force
¥37,690 billion

► New policy amount
¥3,910 billion

Note: The sum of the death benefit amount for individual insurance and individual annuities, and the insured amount for serious diseases (*J-type product*)

Fundamental Strategy

Further strengthen the core business of selling partner-specific products
► through tie-up groups by “further penetrating the SME market” and “creating and expanding new markets”

Business Model

Market	Small and medium enterprises (SMEs)
Sales channel	In-house sales representatives, agents (tax accountants, etc.)
Products	Term life insurance, insurance for serious diseases, etc.

PERFORMANCE AND OPERATIONAL REVIEW

Daido Life’s sales activities target the SME market. Policies from the corporate market*¹ accounted for approximately 94% of the company’s new policy amount in fiscal 2013.

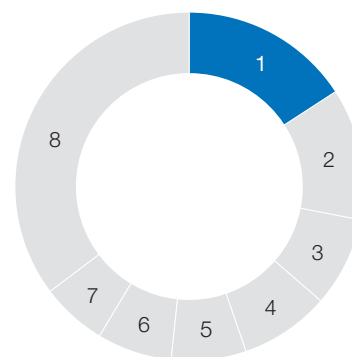
For fiscal 2013, the company’s new policy amount decreased 7.4% year on year to ¥3,698.1 billion*². This decrease mainly reflected the impact of the increase in new policies prior to the insurance premium raise in April 2013.

Meanwhile, the surrender and lapse amount declined 7.3% to ¥2,537.3 billion*². Consequently, the policy amount in force*² rose 0.9% to ¥37,255.6 billion, marking a net increase for the second consecutive year.

MCEV amounted to ¥1,145.9 billion at March 31, 2014, an increase of ¥222.4 billion. This mainly reflected an increase in adjusted net worth due to the recording of net income and the provision of internal reserves, as well as higher net unrealized gains on securities. Additionally, the value of in-force business

► Individual Term Life Insurance Market Shares by Policy Amount in Force

% As of March 31, 2013



1 Daido	16.1%
2 Nippon	12.0%
3 Asahi	8.6%
4 Gibraltar	8.2%
5 Sony	6.9%
6 NKSJ Himawari	6.9%
7 MS&AD	6.1%
8 Others	35.3%

Source: Life Insurance Association of Japan, Summary of Life Insurance Business in Japan, Fiscal 2012
Note: Covers the 43 private-sector life insurance companies.

increased due to the contribution of new business and an improvement in assumed mortality rates and lapse rates.

*1 The total of collective policies for individual insurance and individual annuities sold through tie-up groups and group insurance policies.

*2 The sum of the death benefit amount for individual insurance and individual annuities, and the insured amount for serious diseases for the *J-type product* (insurance for serious diseases).

FUNDAMENTAL STRATEGY

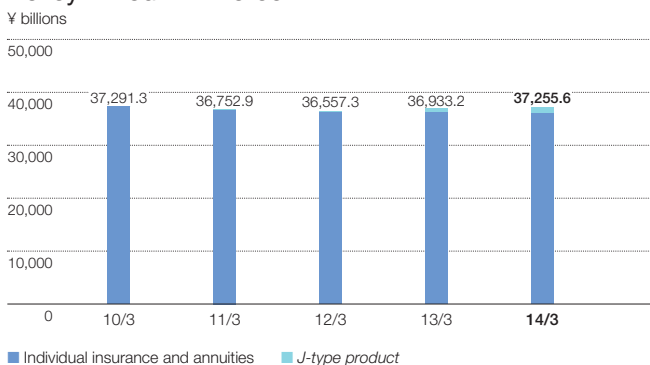
Daido Life was established in 1902. In the ensuing years, it has continued to work to always earn a high level of customer trust under the corporate mottos of “Customer-oriented Service” and “Stable Management.” Since the 1970s, the company has positioned as its core business the sale of partner-specific products in collaboration with tie-up groups in the SME market. Daido Life has driven the evolution of this business model, which is not easily imitated by competitors, according to changes in the times. As a result, Daido Life has built a solid position as the leading company in the SME market.

MARKETING

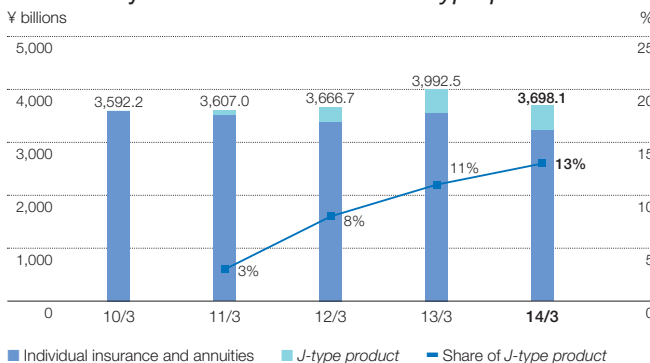
Daido Life employs a distinctive business strategy targeting the SME market.

In specific terms, Daido Life forms business tie-ups with SME-related groups and CPTA groups to offer partner-specific products and services designed according to each group's characteristics. These partner-specific products are utilized by member enterprises of the SME-related groups and are offered by tax accountants and CPAs to corporate clients either as protection insurance or as part of employment benefit packages for SME owners and employees.

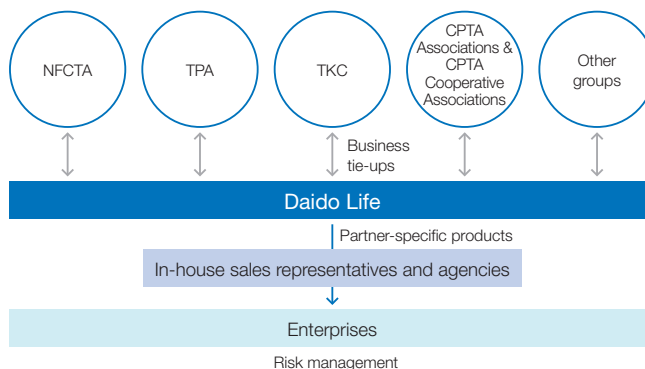
Policy Amount in Force



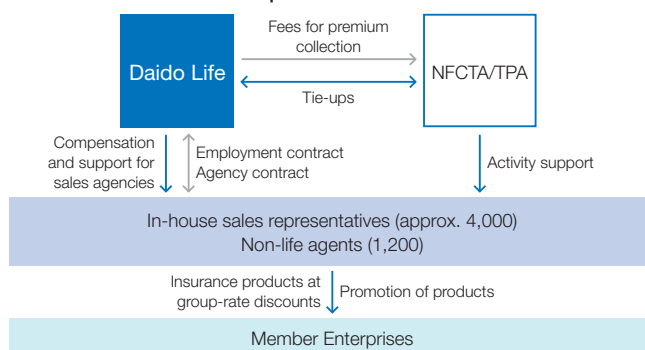
New Policy Amount and Share of J-type product



Daido Life's Relationship with Tie-up Groups



NFCTA and TPA Tie-up Scheme



RELATIONSHIP WITH TIE-UP GROUPS

Since 1971, Daido Life has been the official underwriter of the comprehensive insurance plan, Ohgata Hoshō Plan, implemented by the National Federation of Corporate Taxpayers Associations (NFCTA, known as *Hojinka*) and the Tax Payment Associations (TPA, known as *Nouzei-kyokai*). Under this arrangement, Daido Life's in-house sales representatives and agencies offer partner-specific products to member companies and individual business owners.

In 1976, Daido Life started underwriting TKC Corporate Defense Plan, implemented by the TKC National Federation*³, and in the 1970s the Comprehensive Business Security Plan, implemented by CPTA Associations and CPTA Cooperative Associations in various regions. As members of this federation or associations, TAs provide their corporate and individual business owner clients with partner-specific products as part of risk consulting services for these clients.

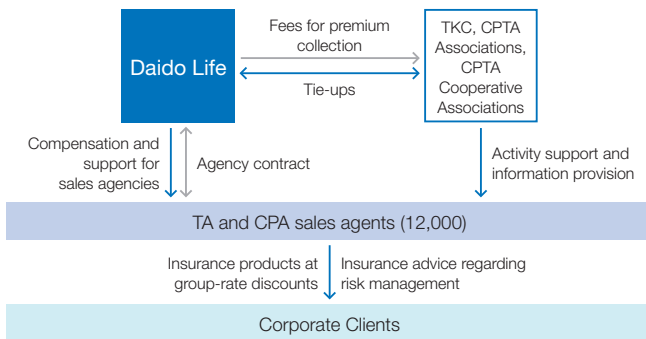
As shown in the diagram below, Daido Life's business model based on sales of partner-specific products through tie-up groups has created a win-win situation for SME customers, tie-up groups, TAs and CPAs, and Daido Life.

*³ An organization of working accountants, including TAs, who utilize a proprietary computerized accounting system.

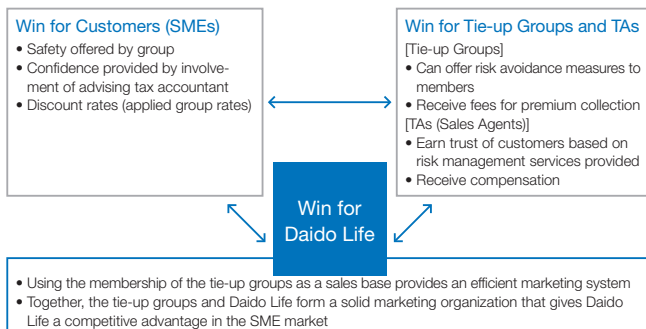
FUTURE GROWTH

Daido Life will further strengthen its core business by "further penetrating the SME market" and "creating and expanding new markets." At the same time, Daido Life will work to enhance and expand sales channels that can provide high-quality consulting services. The company will also strive to enhance and expand customer service through business process reforms targeting sales activities and administrative operations. The goal is to increase corporate value stably and sustainably.

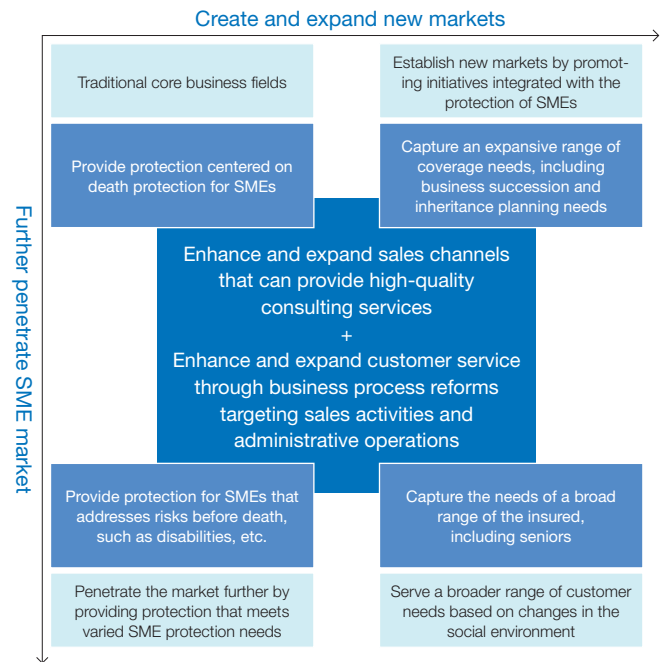
▶ TKC, CPTA Associations and CPTA Cooperative Associations Tie-up Scheme



▶ Win-Win Situation for Stakeholders Created by Partner-specific Sales



▶ Overall Image of Sales Strategy



PRODUCT STRATEGY

For many years, Daido Life has been working to upgrade and extend its product lineup around its core product of term life insurance, which has been offered as a form of death protection to SME owners to help mitigate the related business risk.

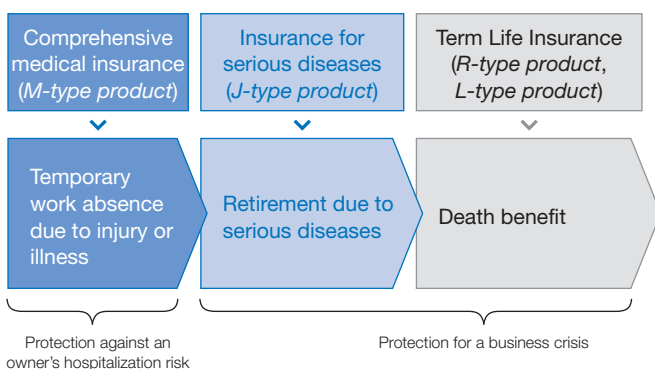
Meanwhile, in recent years, there has been an increasing risk of disability in the event that an SME owner suffers serious diseases such as cancer, acute myocardial infarction or a stroke. This higher disability risk reflects factors such as the ongoing aging of society and advances in healthcare technology. In response, in October 2010, Daido Life launched *J-type product* (insurance for serious diseases), which addresses business continuity risks in the event that an SME owner suffers a serious disease. The company has been putting its full weight behind offering this product as a second mainstay product alongside term life insurance. The policy amount in force for *J-type product* surpassed ¥1,000 billion in October 2013, and the share of *J-type product* in the new policy amount increased to 13% in fiscal 2013.

Furthermore, Daido Life launched *M-type product*, a comprehensive medical insurance product based on the new concept of “protecting SMEs against the owner’s hospitalization risk.” Together with term life insurance covering death, and *J-type product* covering serious diseases, Daido Life is making every effort to provide a full range of protection to SME owners and individual business owners.

In addition, in June 2014, Daido Life launched *Life Gift α*, a single premium increasing-balance whole life insurance product that does not require any declarations. The product is open to applications from a broad range of customers, including seniors and people with health concerns. *Life Gift α* was launched in response to increasingly stronger needs for asset succession and inheritance planning against the backdrop of the ongoing aging of society and other factors.

In these and other ways, Daido Life will strive to protect many more SMEs from various risks, with the aim of putting the company on an even more solid path to increasing corporate value stably and sustainably.

► Providing a Full Range of Protection



► Main Features of *M-type product*

- Daily amounts of hospitalization benefits (daily hospitalization benefits) range from ¥3,000 to ¥40,000*
The insurance payout can be used for medical expenses and living expenses during hospitalization, which tend to be costly, as well as provision of working capital during the temporary absence of an SME owner. (The maximum daily hospitalization benefit has been increased from ¥20,000.)
* Policies with a daily hospitalization benefit of more than ¥20,000 must be the "standard" type of policy (up to 60 payment days per hospitalization). They must also be corporate policies for business owners.
• Only when SME managers are the insured persons.
- Thirty times the daily hospitalization benefit will be paid out for hospitalization due to cancer, myocardial infarction, or cerebral stroke
The policy enables business owners to secure provisional working capital through a lump-sum payment. [Launched Lump-sum Payments Rider for Hospitalization due to Specified Diseases]
- Policies may be chosen from three types of policy, each with a different limit on the number of payment days per hospitalization
The "180 payment days per hospitalization" type of policy has been added to the two existing types: "standard" and "long-term hospitalization due to specified diseases."
- For policies with daily hospitalization benefits of up to ¥20,000, enrollment is possible with only a disclosure of current state of health.
The maximum daily hospitalization benefit for policies written based only on health disclosures was increased from ¥10,000. (Differs according to entry age.)

► Main Features of *J-type product*

- Insurance payout before death for a particular condition (serious diseases: cancer, acute myocardial infarction, or cerebral stroke)
 - The insured is paid out if he/she suffers from a serious disease that reaches a particular condition
- Master contract excluding death protection with higher and extended coverage possible for SME owners
 - Exclusion of death protection from the master contract makes the policy more suitable for those with existing coverage; maximum sum insured for serious diseases is ¥100 million; coverage is available up to 100 years of age
- Payouts can be taken as a pension
 - Inclusion of an additional rider allows payout to be taken in the form of a pension

► Main Features of *Life Gift α*

- Customers in age groups from 50 to 90 are eligible to apply for this policy without any disclosure of the current state of health
* Customers who are currently hospitalized at a hospital or clinic, or plan to be hospitalized, may not enroll in this policy.
- The death benefit increases for 10 years, starting from the year after policy enrollment
 - These features allow the policy to be used effectively for asset succession and inheritance planning

T&D FINANCIAL LIFE



Kazuyoshi Shimada
Representative Director and
President

T&D Financial Life will further promote multi-tracked development of products, sales channels, and sources of profit in the field of life insurance sales through independent insurance agents, including financial institutions. In doing so, T&D Financial Life seeks to increase corporate value by generating stable profits.

Management Targets

Fiscal 2014

- ▶ Policy amount in force
¥1,850 billion
- ▶ New policy amount
¥380 billion

Fundamental Strategy

- ▶ Playing a key role as a strategic company in the T&D Life Group focused on OTC sales at financial institutions and other agents
- ▶ Aiming to establish a strong brand in life insurance sales through financial institutions and other agents, the company is focusing its management resources on bolstering product development and sales support capabilities

Business Model

Market	OTC sales at financial institutions and other agents
Sales channel	Independent insurance agents (banks, securities firms and insurance shop agents, etc.)
Products	Single premium products and income protection insurance, etc.

PERFORMANCE AND OPERATIONAL REVIEW

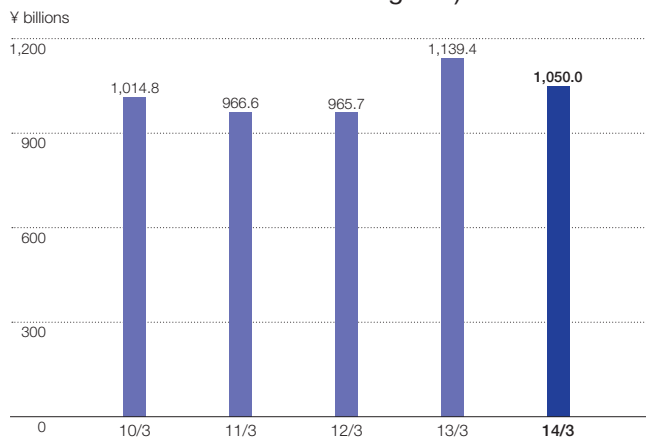
T&D Financial Life specializes in providing insurance products through independent insurance agents, including banks, securities firms and insurance shop agents, which handle products from multiple insurers. The new policy amount for T&D Financial Life in fiscal 2013 was ¥244.9 billion, up 27.5% year on year. Of this, the new policy amount for single premium products was ¥230.0 billion, while the new policy amount for level premium products was held to ¥14.9 billion. The policy amount in force for products sold through financial institutions and other agents decreased by 7.9% from ¥1,139.4 billion at the previous fiscal year-end to ¥1,050.0 billion, mainly due to the lump-sum payment of annuities upon the maturity of variable individual annuities sold in the past and an increase in surrenders due to a recovery in market conditions.

As of March 31, 2014, MCEV was up ¥14.8 billion from the previous fiscal year-end to ¥92.3 billion. The value of new business increased by ¥0.1 billion from the previous fiscal year-end to ¥3.0 billion due to an increase in the new policy amount.

FUNDAMENTAL STRATEGY

T&D Financial Life is a strategic company in the T&D Life Group focused on the OTC sales channel at financial institutions and other agents*. In October 2001, the T&D Life Group acquired Tokyo Life and restarted its operations as T&D Financial Life. The company began sales of variable annuities in November 2001.

▶ T&D Financial Life's Policy Amount in Force (Portion corresponding to OTC sales at financial institutions and other agents)



During the four years following its reorganization, T&D Financial Life pursued business expansion using two distribution channels—the sales representative channel and the OTC sales channel at financial institutions. In September 2005, however, the company transferred the sales representative channel to Taiyo Life and Daido Life, and made a new start as a company specializing in OTC sales at financial institutions.

In the period to the end of March 2010, T&D Financial Life expanded the number of agencies and the policy amount in force by selling mainly individual variable annuities with guaranteed minimum living benefits, which were the major products sold in the market at that time. This helped the company to establish and enhance a solid sales network base, including Japan’s top commercial banks and securities firms.

* The OTC sales channel at financial institutions and other agents collectively refers to the OTC sales channel at financial institutions, including banks and securities firms, and the insurance shop agent channel.

Delivering Competitive, Differentiated Products

Leveraging its product development capabilities, T&D Financial Life has been supplying products offering differentiated benefits, etc., to the market.

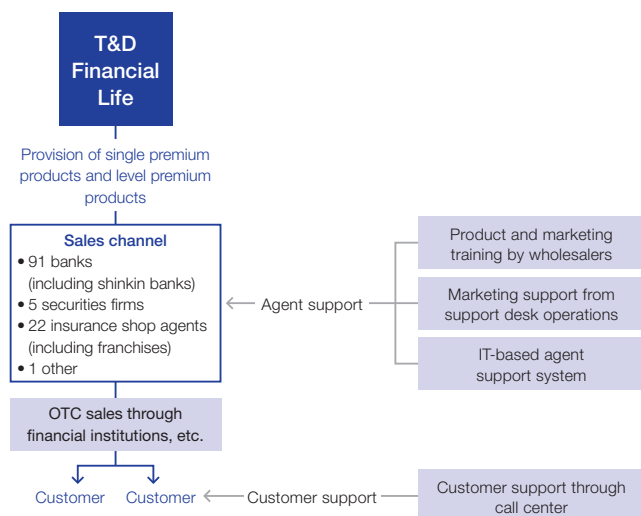
After suspending sales of variable annuities, T&D Financial Life developed a cash flow-type, single premium whole life insurance product series based on the concept of “gaining annual bonus incomes without withdrawing from one’s

accumulated amount.” This series has been sold as the *Shougai Premium Series*, with the two products *Shougai Premium Japan* and *Shougai Premium World*. At the time of launch, the market for OTC sales at financial institutions was dominated by single premium assumed interest rate-type products without market value adjustments (MVA), which were offered by the major domestic life insurers.

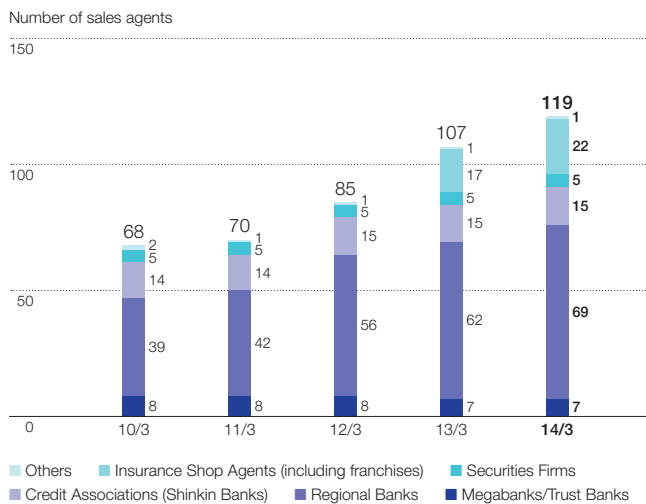
However, the competitive environment showed some signs of shifting when other life insurers lowered their assumed interest rates and limited sales of their assumed interest rate-type products. In this environment, T&D Financial Life gradually made progress on expanding its agency network and driving product penetration in the market, achieving steady growth in sales. At present, with other companies starting to offer similar products to the *Shougai Premium Series*, cash flow-type, single premium whole life insurance products have been capturing a greater share of the overall market. It is proud to have spearheaded the creation of this entirely new market category. Going forward, T&D Financial Life will continue to develop and launch products that have something different to offer than other insurers’ products, in order to command a strong presence in the market for OTC sales at financial institutions and other agents.

Until now, sales of *Shougai Premium World* and *Shougai Premium Japan* were at risk of being suspended if interest rates were to fall below a certain threshold. However, T&D Financial Life revised these products to ensure that it could continue to

► Business Model



► T&D Financial Life’s Sales Network



offer them even under low interest rate conditions. Accordingly, T&D Financial Life commenced sales of *Shougai Premium World 2* in July 2013 and *Shougai Premium Japan 2* in August 2013, targeting customers aged 50 to 75 years old. Furthermore, in September 2014, T&D Financial Life revised the targeted age range of these products, extending it to customers aged 50 to 85 years old, and commenced sales of the revised products as *Shougai Premium World 3* and *Shougai Premium Japan 3*.

Multi-tracked Development of Products and Channels

In addition to the *Shougai Premium Series*, T&D Financial Life has developed and launched *Minna Ni Yasashii Shushinhoken* and *Kakei Ni Yasashii Shunyuoshou*. Through multi-tracked development undertaken over the past few years, T&D Financial Life is providing products that are able to address the needs of a broad range of markets.

Minna Ni Yasashii Shushinhoken is an assumed interest rate-type whole life insurance policy that can be purchased by customers in a wide range of age groups, from 50 to 95, simply by providing the company with information about their occupation. It is being offered as part of T&D Financial Life's efforts to enhance its lineup of single premium products.

Kakei Ni Yasashii Shunyuoshou is an income protection insurance product which provides either a monthly survivor annuity or a disability annuity over a fixed period in the event of the death or the total disability of the insured. One of the main

features of this product is that the insurance premiums are more affordable than conventional term life insurance products. Other main features are that the product offers the industry's lowest premiums when the premium rates for non-smokers are applied. Also, by applying the waiver of premium rider for the three major diseases and the income protection rider for the three major diseases, the insured is covered against loss of income in the event that he or she suffers from one of the three major diseases (designated cancer, acute myocardial infarction and cerebral stroke) that reach a particular condition.

In June 2014, T&D Financial Life revised *Kakei Ni Yasashii Shunyuoshou*. Certain policy details were revised, including reducing the minimum monthly annuity amount from ¥150,000 to ¥100,000 when the premium discount rider for preferred risk is applied. Also, fixed annuities payment was added as one option to the income protection rider for the three major diseases.

Furthermore, T&D Financial Life is also pursuing the multi-tracked development of sales channels through sales of *Kakei Ni Yasashii Shunyuoshou*. To this end, it is working to increase the number of insurance shop agents, as well as traditional financial institution agents, by leveraging the company's extensive expertise in supporting independent insurance agents.

Currently, financial institutions are still in the process of developing a framework for selling level premium protection-type products. Over the medium- to long-term, the company

► T&D Financial Life's Products and Sales Channel

Single premium savings-type products	<p>Shougai Premium Series</p> <p>Shougai Premium Japan 3 [non-participating whole life insurance (accumulation rate renewing type I)]</p> <p>Shougai Premium World 3 [non-participating foreign exchange rate linked whole life insurance (accumulation rate renewing, multi-currency type III)]</p>	<p>Main Features:</p> <ul style="list-style-type: none"> • Under the concept of "gaining annual bonus incomes without withdrawing from one's accumulated amount," <i>Shougai Premium Series</i> is a cash flow-type, single premium whole life insurance series that features annual additions of a prescribed bonus policy amount to the "accumulated bonus amount" throughout the insured's lifetime. • <i>Shougai Premium Japan 3</i> is a product for customers interested in investing in yen-denominated assets, as the annual bonus policy amount is steadily added to the accumulated bonus policy amount every year using the JGB yields as the reference rate. • <i>Shougai Premium World 3</i> is a product for customers interested in overseas interest rates, which are higher than domestic interest rates, and in foreign currencies, as the product is based on the reference rate of its linked foreign currency (Australian dollar or U.S. dollar).
	<p>Minna Ni Yasashii Shushinhoken [non-participating whole life insurance (increasing death benefit type I)]</p>	<p>Main Features:</p> <ul style="list-style-type: none"> • Designed to be simple and easy to understand, this single premium whole life insurance product can be purchased by customers in a wide range of age groups, from 50 to 95, simply by providing the company with information about their occupation.
Level premium protection-type products	<p>Kakei Ni Yasashii Shunyuoshou [non-participating income protection insurance (no surrender value type I)]</p>	<p>Main Features:</p> <ul style="list-style-type: none"> • This is an income protection insurance product which provides either a monthly survivor annuity or a disability annuity over a fixed period in the event of the death or the total disability of the insured. One of the main features of this product is that the insurance premiums are more affordable than conventional term life insurance products. • Also, by applying the waiver of premium rider for the three major diseases and the income protection rider for the three major diseases, the insured is covered against loss of income in the event that he or she suffers from one of the three major diseases (designated cancer, acute myocardial infarction and cerebral stroke) that reach a particular condition.

believes that the sales framework will advance with financial institution agents, and the market for these products will expand to a certain extent. Accordingly, T&D Financial Life is strengthening ties with financial institution agents and insurance shop agents through the sale of *Kei Ni Yasashii Shunyuoshou*, in an effort to lay a strong foundation for the future market expansion and sales growth of level premium protection-type products.

FUTURE GROWTH

Under the two-year Medium-term Management Plan running from April 2014 to March 2016, T&D Financial Life has defined its Corporate Vision as “Aim to be a company that delivers highly competitive, differentiated products in the field of life insurance sales through independent insurance agents, including financial institutions.”

Guided by this vision, T&D Financial Life will further promote multi-tracked development of products, sales channels, and sources of profit by expanding its agency network and driving product penetration. This will be done by strengthening its sales promotion system and enhancing its product lineup. In doing so, T&D Financial Life seeks to enhance its business model to ensure that it can generate stable profits.

In terms of product strategies, T&D Financial Life will continue to conduct marketing activities needed to incorporate market needs centered on the views of customers and

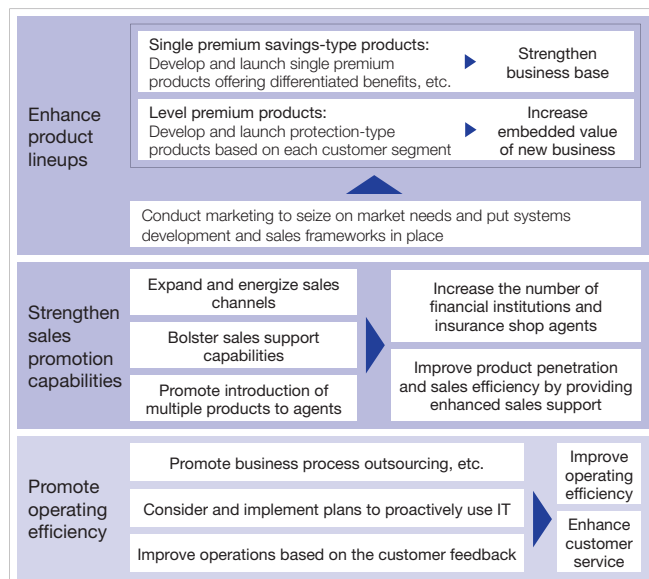
insurance agents. Based on these activities, T&D Financial Life will upgrade the product lineup in an effort to increase the new policy amount. This will entail continuously developing and launching level premium protection products based on customer segments and single premium savings-type products that offer differentiated benefits, etc., according to the characteristics of sales channels.

In terms of sales strategy, T&D Financial Life will drive product penetration in the market by increasing the number of agents such as financial institutions and insurance shops, and enhancing the sales support system. Efforts will also be made to raise sales efficiency by encouraging agents to introduce multiple T&D Financial Life products.

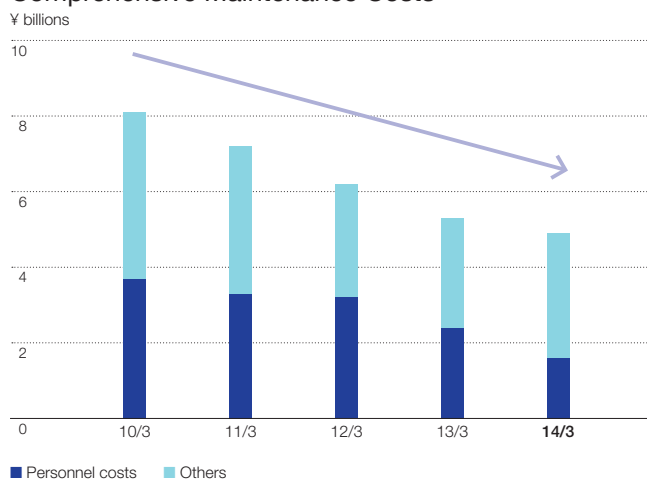
MAKING T&D FINANCIAL LIFE EVEN MORE COMPETITIVE

To prevail in the fiercely competitive independent insurance agent business, T&D Financial Life has been working to raise efficiency through such means as boosting administrative efficiency, and reducing IT and personnel costs. Meanwhile, it has also been bolstering its business structure in response to recent increases in sales and the number of agents. Looking ahead, the company will continue to take steps to increase efficiency and strive to strengthen its business structure as necessary to enhance its presence in the market, with the aim of honing its competitiveness.

► Strategies to Strengthen Business Model Capabilities for Generating Stable Profits



► Comprehensive Maintenance Costs*



* Comprehensive maintenance costs = Maintenance costs (less holding company fees and commissions and contributions to the Life Insurance Policyholders Protection Corporation) + Expenses for premium collection + Provision for increase in reserve for bonus + Depreciation

T&D Asset Management



Hiroshi Fujise
Representative Director and President

As the T&D Life Group's core asset management company, T&D Asset Management aims to become a trusted asset management company in the eyes of its customers.

Management Targets

Fiscal 2014

▶ Adjusted operating income

¥3.0 billion

▶ Net income

¥40 million

Note: Adjusted operating income is the actual income of T&D Asset Management after deducting commissions to sales companies and fees to external investment institutions to which asset management is entrusted.

Fundamental Strategy

- ▶ Strengthen competitiveness by executing differentiated strategies under the action policy of "Make a Difference"
- ▶ Strengthen growth areas by strategically allocating management resources
- ▶ Continue to transform the earnings structure to improve management efficiency further

Business Segment

Investment trust business	Provide a wide array of prime investment products mainly to individual investors through sales companies (securities firms, etc.)
Investment management and advisory services	Provide timely solutions to domestic and overseas pension funds and institutional investors

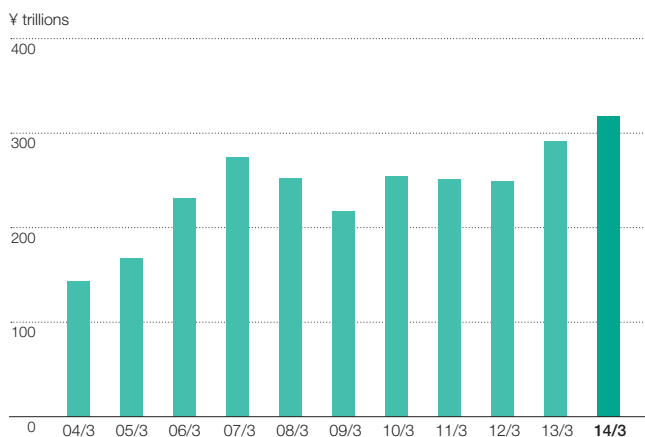
PERFORMANCE AND OPERATIONAL REVIEW

In fiscal 2013, the Japanese economy saw the Abe government implement a host of economic policies known as "Abenomics." This led to the yen's depreciation, with the ensuing expectations for an upturn in corporate earnings supporting a sharp rise in stock prices. Furthermore, the economies of developed countries performed firmly overall, with signs of an economic recovery in the U.S., driven mainly by consumer spending.

Under these conditions, T&D Asset Management saw a decrease in assets under management in the investment trust business, mainly reflecting a significant decline in private placement investment trusts for the variable annuities of the T&D Life Group's life insurance companies due to redemptions. As a result, investment trust assets at March 31, 2014 stood at ¥937.3 billion, down from ¥1,322.2 billion at March 31, 2013. In investment management and advisory services, entrusted assets decreased slightly from ¥999.3 billion to ¥995.2 billion.

On the earnings front, however, adjusted operating income rose 6.7% year on year to ¥3.3 billion. This was in line with higher operating revenues from investment trusts, due mainly to a higher average balance of publicly offered investment trust assets than in fiscal 2012. Furthermore, net income rose 60.4% year on year, as T&D Asset Management strove to conduct efficient business management and contain costs.

▶ Asset Management Market in Japan



FUTURE GROWTH

T&D Asset Management commenced business through the investment of life insurance assets as the T&D Life Group's asset management company. However, income from non-group customers such as pension funds and institutional investors, along with individual investors, now accounts for around two-thirds of the company's adjusted operating income.

Looking ahead, T&D Asset Management will continue to position the investment trust business and investment management and advisory services business as its two core operations. The company will continue aiming to become a trusted asset management company in the eyes of its customers by implementing thorough measures to enhance the quality of investment products and services.

INVESTMENT TRUST BUSINESS

Considering the launch of the Nippon Individual Savings Account (NISA) in January 2014 and other developments, T&D Asset Management sees further growth potential in the investment trust business.

Taking full advantage of its status as an asset manager independent of any securities or banking group, T&D Asset Management will provide investment trusts through a broad range of sales companies.

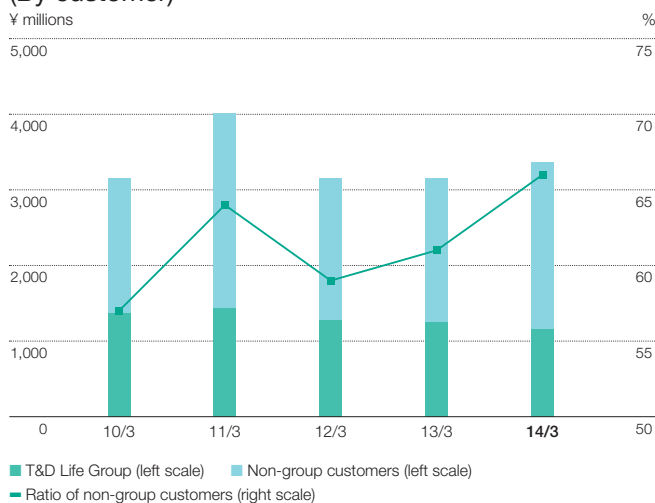
Through the strategic allocation of business resources, T&D Asset Management is further strengthening its systems to develop and offer outstanding investment products tailored to customer needs in a timely manner. At the same time, the company is upgrading its information provision capabilities for customers to inform them about the nature of its products and the risks involved in an easy-to-understand manner.

INVESTMENT MANAGEMENT AND ADVISORY SERVICES (Domestic and Overseas Pension Funds and Institutional Investors)

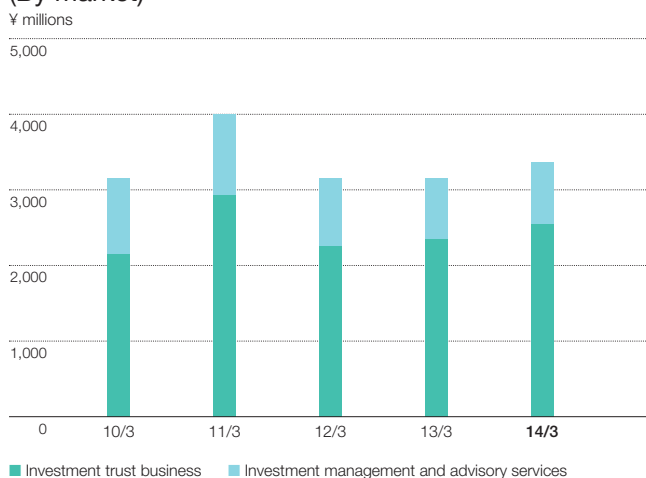
The business environment of the pension market remains challenging as it goes through a period of major fluctuations during the lead up to the implementation of changes in Japan's pension system and accounting system. With its customers facing a variety of issues, T&D Asset Management is aiming to win long-term trust by remaining strongly committed to providing them with suitable solutions for their investment needs.

The company is also actively offering its distinctive asset management capabilities to domestic and foreign institutional investors.

▶ T&D Asset Management's Adjusted Operating Income (By customer)



▶ T&D Asset Management's Adjusted Operating Income (By market)





Pet & Family Small-amount Short-term Insurance Company



Takashi Nakao
Representative Director and President

Pet & Family Small-amount Short-term Insurance aims to serve the needs of pet owners as regards meeting the veterinary expenses of pets by making pet insurance more widely available. This will be achieved by expanding and strengthening the sales base centered on the pet shop sales channel.

Management Targets

Fiscal 2014

▶ No. of policies in force
78,000

▶ No. of new policies
29,000

Fundamental Strategy

- ▶ Build and strengthen a revenue base grounded on trust as a provider of small-amount, short-term insurance and a member of the T&D Life Group
- ▶ Grow sales by expanding and strengthening the sales base centered on the core pet shop sales channel

Business Model

Market	Pets
Sales channel	Agents (pet shops, etc.)
Products	Compensation insurance for pet vet expenses

PERFORMANCE AND OPERATIONAL REVIEW

In fiscal 2013, Pet & Family Small-amount Short-term Insurance (P&F) worked to expand business and improve profitability by focusing on expanding pet shop sales, the core sales channel, and developing this sales channel.

As a result, the number of new policies in fiscal 2013 was 24,157, compared with 18,168 in fiscal 2012. The number of policies in force as of March 31, 2014, was 60,841, up steadily from 44,407 as of March 31, 2013. Net premium income in fiscal 2013 was ¥1,822 million, up from ¥1,236 million in the previous fiscal year.

FUNDAMENTAL STRATEGY

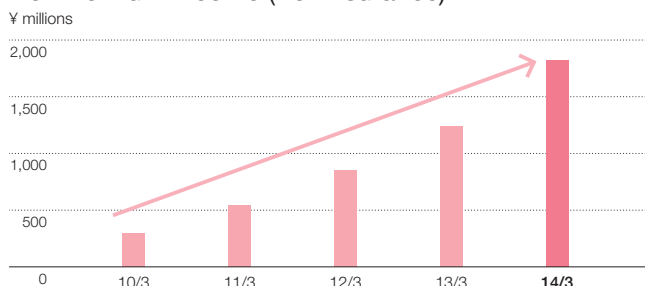
P&F aims to establish and build an earnings base with future growth potential by positioning pet shops as the core sales channel for this type of insurance.

In an age where pets are regarded as lifelong family members, pet owners are increasingly concerned about the costs of veterinary care. Pet insurance is considerably less prevalent in Japan than in Western countries, where pet culture is more advanced. P&F considers it a mission to serve the needs of pet owners in meeting the veterinary expenses of pets by making pet insurance more widely available.

FUTURE GROWTH

The pet insurance market is expected to see increasing demand going forward. In this growing market, P&F aims to establish and strengthen a more stable revenue base through expanding the sales base centered on the pet shop sales channel. At the same time, P&F will provide outstanding services by strengthening its competitive product and administrative base. In doing so, P&F will serve the needs of pet owners as regards meeting the veterinary expenses of pets.

▶ Net Premium Income (Pet Insurance)



Key Systems Underpinning T&D Life Group

- 44** Management Organization
Board of Directors
- 46** Management Organization
Audit & Supervisory Board Members
- 47** Corporate Governance
- 51** Corporate Social Responsibility

Management Organization

Board of Directors (As of June 26, 2014)



Representative Director and President

KENJI NAKAGOME Born 1954

- | | | | |
|-----------|--|-----------|---|
| Apr. 1976 | Joined Taiyo Life | Jun. 2008 | Representative Director and Senior Executive Officer of Taiyo Life |
| Mar. 2001 | General Manager of General Affairs Department | Jun. 2009 | Director of T&D Holdings, Representative Director and President of Taiyo Life |
| Jul. 2001 | Director of Taiyo Life | Apr. 2011 | Representative Director and President of T&D Holdings (current) |
| Jun. 2003 | Managing Director of Taiyo Life | | |
| Apr. 2004 | Managing Director of T&D Holdings | | |
| Jun. 2006 | Director and Managing Executive Officer of Taiyo Life, Director and Managing Executive Officer of T&D Holdings | | |
| Apr. 2007 | Director and Senior Executive Officer of Taiyo Life, Director and Senior Executive Officer of T&D Holdings | | |



Representative Director and Executive Vice President Group Planning Department

SONOSUKE USUI Born 1953

- | | | | |
|-----------|---|-----------|---|
| Apr. 1976 | Joined Daido Life | Jun. 2008 | Representative Director and Senior Executive Officer of T&D Financial Life |
| Sep. 1996 | General Manager of Separate Account Investment Department | Jun. 2009 | Director of T&D Asset Management (current) |
| Jul. 2000 | Director of Daido Life | Apr. 2010 | Director of T&D Financial Life (current), Senior Executive Officer of T&D Holdings |
| Jul. 2001 | Representative Director and President of T&D Taiyo Daido Asset Management | Jun. 2010 | Director of Daido Life (current), Director and Senior Executive Officer of T&D Holdings |
| Jul. 2002 | Representative Director and President of T&D Asset Management | Apr. 2011 | Director and Executive Vice President of T&D Holdings |
| Apr. 2008 | Senior Executive Officer of T&D Financial Life | Jun. 2013 | Representative Director and Executive Vice President of T&D Holdings (current) |



Director and Senior Executive Officer Group Finance & Accounting Department and Public Relations Department

TAMIJI MATSUMOTO Born 1954

- | | | | |
|-----------|--|-----------|--|
| Apr. 1977 | Joined Taiyo Life | Apr. 2011 | Director and Senior Executive Officer of T&D Holdings (current) |
| Oct. 1999 | General Manager of Actuarial Accounting Department | Jun. 2012 | Director of T&D Asset Management (current) |
| Jul. 2001 | Director of Taiyo Life | Apr. 2014 | Audit & Supervisory Board Member of T&D Financial Life (current) |
| Jun. 2003 | Managing Director of Taiyo Life | | |
| Jun. 2006 | Director and Managing Executive Officer of Taiyo Life | | |
| Apr. 2010 | Senior Executive Officer of T&D Holdings | | |
| Jun. 2010 | Director of Taiyo Life (current), Representative Director and Senior Executive Officer of T&D Holdings | | |



Director and Senior Executive Officer Business Auditing Department and second in charge of Risk Management Department

MASAHIRO UEDA Born 1953

- | | | | |
|-----------|---|-----------|---|
| Apr. 1978 | Joined Daido Life | Jun. 2008 | Director and Managing Executive Officer of Daido Life |
| Apr. 2004 | General Manager of General Affairs Department of T&D Holdings | Apr. 2011 | Director and Senior Executive Officer of Daido Life (current) |
| Apr. 2005 | General Manager of Planning Department of Daido Life | Apr. 2013 | Senior Executive Officer of T&D Holdings |
| Jun. 2006 | Executive Officer of Daido Life | Jun. 2013 | Director and Senior Executive Officer of T&D Holdings (current) |
| Apr. 2008 | Managing Executive Officer of Daido Life | | |



Director and Senior Executive Officer General Affairs Department and second in charge of Business Auditing Department

TERUNORI YOKOYAMA Born 1954

- | | | | |
|-----------|--|-----------|--|
| Apr. 1977 | Joined Taiyo Life | Jun. 2007 | Director and Managing Executive Officer, and Marketing Executive General Manager of Taiyo Life |
| Jul. 2003 | General Manager of General Planning Department | Feb. 2008 | Director and Managing Executive Officer of Taiyo Life |
| Apr. 2004 | General Manager of Group Planning Department of T&D Holdings | Jun. 2009 | Director and Managing Executive Officer of T&D Holdings |
| Jun. 2006 | Executive Officer and General Manager of Group Planning Department of T&D Holdings | Apr. 2014 | Director and Senior Executive Officer of Taiyo Life (current), Director and Senior Executive Officer of T&D Holdings (current) |
| Apr. 2007 | Managing Executive Officer, and Marketing Executive General Manager of Taiyo Life | | |



Director and Managing Executive Officer Risk Management Department

KOUCIHI SEIKE Born 1956

- | | | | |
|-----------|---|-----------|---|
| Apr. 1980 | Joined Daido Life | Jun. 2011 | Director and Managing Executive Officer of Daido Life (current) |
| Apr. 2003 | General Manager of Profit Management and Actuarial Department | Apr. 2014 | Managing Executive Officer of T&D Holdings |
| Jun. 2006 | Executive Officer of Daido Life | Jun. 2014 | Director and Managing Executive Officer of T&D Holdings (current) |
| Apr. 2010 | Managing Executive Officer of Daido Life | | |



Director

RYUJI HORI* Born 1943

Apr. 1966 Joined Iwai Sangyo Company
 Jun. 1996 Director of Nissho Iwai Corporation
 Jun. 2000 Managing Director of Nissho Iwai Corporation
 Jun. 2002 Senior Managing Executive Officer of Nissho Iwai Corporation
 Apr. 2003 Professor of Waseda University School of Law
 Apr. 2004 Professor of Waseda Law School

Jun. 2006 Corporate Auditor of Daido Life
 Jun. 2010 Director of Daido Life
 Jun. 2012 Director of T&D Holdings (current)

* Mr. Hori is an outside director as provided for in the Japanese Companies Act.



Director

HARUKA MATSUYAMA* Born 1967

Apr. 1995 Assistant Judge to the Tokyo District Court
 Jul. 2000 Registered as an Attorney
 Jun. 2013 Director of T&D Holdings (current)

Attorney

* Ms. Matsuyama is an outside director as provided for in the Japanese Companies Act.



Director

KATSUhide TANAKA Born 1954

Apr. 1977 Joined Taiyo Life
 Sep. 2000 General Manager of Policy Service, Conservation and Premium Receipts Department
 Jul. 2001 Director of Taiyo Life
 Jun. 2006 Director and Managing Executive Officer of Taiyo Life
 Apr. 2007 Director and Senior Executive Officer of Taiyo Life
 May 2007 Director and Senior Executive Officer, and Customer Service Executive General Manager of Taiyo Life

Feb. 2008 Director and Senior Executive Officer, and Marketing Executive General Manager of Taiyo Life
 Jun. 2008 Representative Director and Senior Executive Officer, and Marketing Executive General Manager of Taiyo Life
 Jun. 2009 Representative Director and Executive Vice President, and Marketing Executive General Manager of Taiyo Life
 Apr. 2011 Representative Director and President of Taiyo Life (current)
 Jun. 2011 Director of T&D Holdings (current)



Director

TETSUHIRO KIDA Born 1953

Apr. 1976 Joined Daido Life
 Mar. 1999 General Manager of Planning Department
 Jul. 2000 Director of Daido Life
 Apr. 2003 Managing Director of Daido Life
 Jun. 2006 Managing Executive Officer of Daido Life
 Apr. 2007 Director of T&D Financial Life, Director of T&D Asset Management, Managing Executive Officer of T&D Holdings

Jun. 2007 Director and Managing Executive Officer of T&D Holdings
 Apr. 2008 Director and Senior Executive Officer of T&D Holdings
 Apr. 2010 Representative Director and President of Daido Life (current), Director of T&D Holdings (current)



Director

KAZUYOSHI SHIMADA Born 1953

Apr. 1976 Joined Daido Life
 Jan. 2001 General Manager of Reorganization Planning Department
 Jul. 2002 Director of T&D Financial Life
 Jun. 2006 Executive Officer of T&D Financial Life
 Apr. 2007 Managing Executive Officer of T&D Financial Life
 Jun. 2007 Director and Managing Executive Officer of T&D Financial Life

Apr. 2010 Director of T&D Asset Management
 Apr. 2011 Representative Director and Managing Executive Officer of T&D Financial Life
 Jun. 2011 Representative Director and President of T&D Financial Life (current), Director of T&D Holdings (current)

Audit & Supervisory Board Members (As of June 26, 2014)



Audit & Supervisory Board Member

AKIMASA YOKOKAWA Born 1955

Apr. 1978 Joined Taiyo Life
 Mar. 2001 General Manager of Securities Investment Department
 Jun. 2003 Director of Taiyo Life
 Jun. 2006 Executive Officer of Taiyo Life
 Jun. 2008 Director and Executive Officer of Taiyo Life
 Jun. 2009 Executive Officer of Taiyo Life
 Oct. 2011 Audit & Supervisory Board Member of Taiyo Life (current)
 Jun. 2013 Audit & Supervisory Board Member of T&D Financial Life, Audit & Supervisory Board Member of T&D Holdings (current)



Audit & Supervisory Board Member

TAKASHI SHIMODA Born 1957

Apr. 1979 Joined Daido Life
 Apr. 2005 General Manager, Public Relations Department of T&D Holdings
 Apr. 2009 General Manager, Business Auditing Department of Daido Life
 Mar. 2014 Audit & Supervisory Board Member of Daido Life (current)
 Jun. 2014 Audit & Supervisory Board Member of T&D Holdings (current)



Audit & Supervisory Board Member

SHIGEKAZU IWAI* Born 1945

Apr. 1972 Registered as an Attorney
 Apr. 1991 Vice President of the Tokyo Bar Association
 Apr. 2004 President of the Tokyo Bar Association, Vice President of the Japan Federation of Bar Associations
 Jun. 2012 Audit & Supervisory Board Member of Daido Life (current), Audit & Supervisory Board Member of T&D Holdings (current)
 Attorney
 * Mr. Iwai is an outside audit & supervisory board member as provided for in the Japanese Companies Act.



Audit & Supervisory Board Member

YUICHI OZAWA* Born 1943

Apr. 1969 Registered as an Attorney
 May 1985 Organizer, Commercial Law Subcommittee of the Legislative Council of the Ministry of Justice
 Apr. 1991 Professor of Legal Training and Research Institute, Supreme Court of Japan (Defense of Civil Cases)
 Jan. 1998 Member of National Bar Examination Committee (Commercial Law)
 Jun. 2007 Audit & Supervisory Board Member of Taiyo Life (current)
 Jun. 2013 Audit & Supervisory Board Member of T&D Holdings (current)
 Attorney
 * Mr. Ozawa is an outside audit & supervisory board member as provided for in the Japanese Companies Act.

Corporate Governance

Basic Policy on Corporate Governance

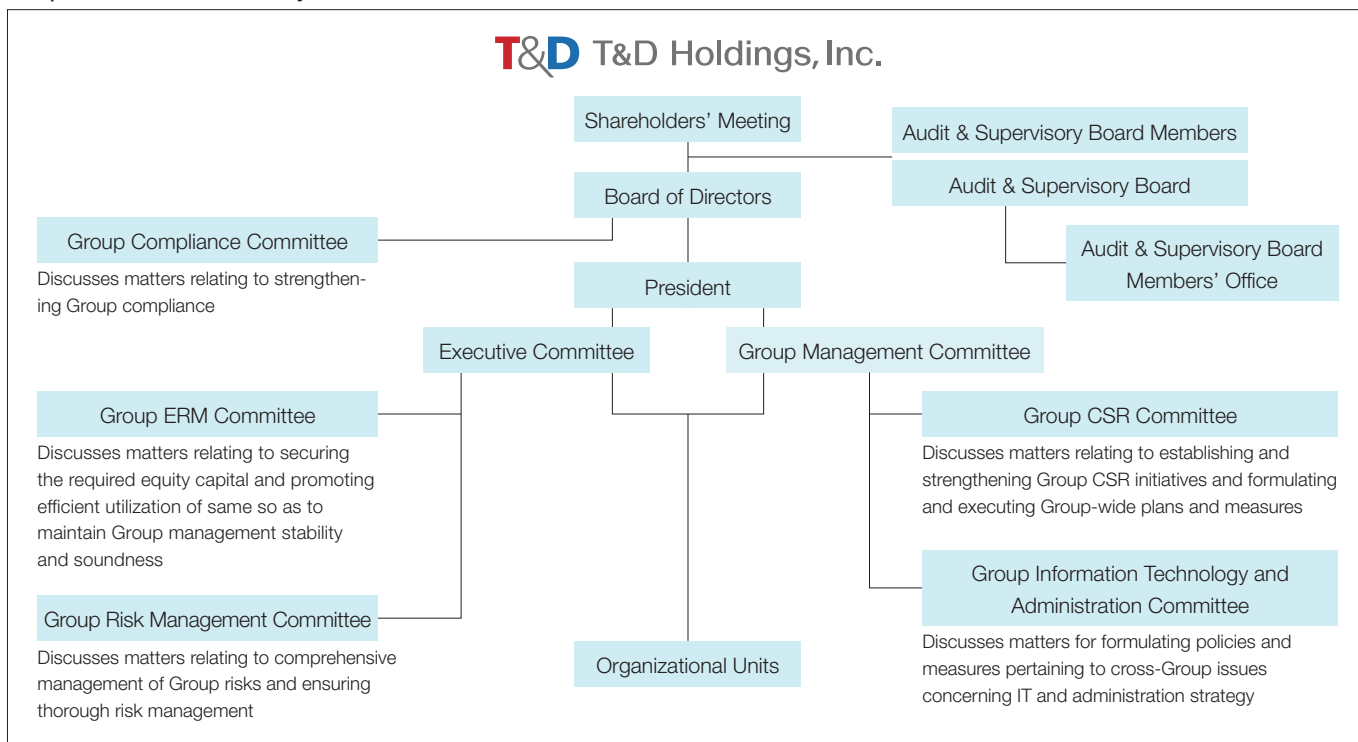
The T&D Life Group's basic corporate governance policy is to create efficient and transparent management systems to facilitate flexible and cohesive Group operations.

Based on this view, the role within the Group of the holding company T&D Holdings is to determine Group business and capital strategies and to ensure optimal allocation of resources within the Group. T&D Holdings is also responsible for the development and operation of oversight systems for managing profits and risks at the Group level, including systems for accurately evaluating the operational risks of the five direct subsidiaries (the Group's three life insurance companies—Taiyo Life, Daido Life, and T&D Financial Life—as well as T&D Asset Management and Pet & Family Small-amount Short-term Insurance). Based on an independent business strategy, each of the direct subsidiaries determines its own marketing strategies in line with its strengths. This approach seeks to maximize the corporate value of the Group by enabling each company to make the most of its autonomy and originality in its business operations.

Initiatives to Enhance Corporate Governance

To ensure the effectiveness of its corporate governance, in fiscal 2013, T&D Holdings held the following meetings. The Board of Directors met 22 times to make decisions on important issues on the execution of business and to oversee the execution of duties by directors. In addition, the Audit & Supervisory Board met 14 times. The Executive Committee met 51 times, the Group Management Committee 16 times, the Group Compliance Committee 4 times, the Group Risk Management Committee 16 times, the Group ERM Committee 13 times, the Group CSR Committee 3 times, and the Group Information Technology and Administration Committee 6 times.

▶ Corporate Governance System Framework



and Other Group Companies

Pet & Family Small-amount Short-term Insurance Company

Appointment of Outside Directors and Outside Audit & Supervisory Board Members

As one facet of its internal control systems, T&D Holdings has established the policy of appointing outside directors that are unrelated to the Company and can serve as a control to ensure the appropriateness of the operational execution of directors. Accordingly, it has appointed two outside directors. In addition, the Company has established an Audit & Supervisory Board consisting of four audit & supervisory board members, two of which are outside audit & supervisory board members as provided by the Japanese Companies Act.

Further, the outside directors and outside audit & supervisory board members of the Company are registered with the Tokyo Stock Exchange as independent officers who are free of conflicts with the common interests of shareholders (as of June 26, 2014).

In this way, the Company believes that the outside directors and outside audit & supervisory board members are properly overseeing and serving as a control and that governance is functioning effectively. However, in order to bolster governance further, the Company will continue to look at ways to improve the approach to governance, taking into consideration examples and trends at other companies.

Stock Compensation-type Stock Options (Stock Acquisition Rights)

T&D Holdings and the three life insurance companies have introduced stock compensation-type stock options (stock acquisition rights) for directors (excluding outside directors) and executive officers, with the aim of boosting motivation to further contribute to the improvement of corporate value. These stock options will provide them with further incentives to work to stably and continuously improve the corporate value of the whole Group by aligning their interests more with shareholders, while they continue to manage the Company from a long-term standpoint.

Risk Management System

In light of the important social role played by its life insurance business, the T&D Life Group considers the accurate assessment and control of risk to be a top management priority for ensuring sound and appropriate management. Under the guidance of T&D Holdings in accordance with their business characteristics and risk profile, each Group company carries out appropriate risk management based on the principle of self-responsibility.

Furthermore, the Group conducts integrated risk management through such means as utilizing risk management indicators based on economic value, which values assets and liabilities on a mark-to-market basis.

Basic Policy on Risk Management Systems

T&D Holdings has established a Group Risk Management Policy that sets forth the basic concepts for managing risk within the T&D Life Group. Based on this policy, the three life insurance companies have upgraded their risk management systems, including those for affiliates.

T&D Holdings has established the Group Risk Management Committee, to integrate the management of risk within the Group. Moreover, the three life insurance companies are required to submit risk status reports based on integrated risk management indices periodically as well as on an as-needed basis. In this way, T&D Holdings is able to assess the various risks faced by individual Group companies.

Also, T&D Holdings reports the risk status of each Group company to the Board of Directors and, based on these findings, provides guidance and assistance to the three life insurance companies as necessary. This not only ensures that each of the companies conducts thorough risk management but also strengthens the management of risk for the Group as a whole.

▶ Risk Management Framework



Compliance

Basic Compliance Policies

The Group has formulated the T&D Life Group CSR Charter, the T&D Life Group Compliance Code of Conduct, and the T&D Life Group Basic Policy for Strengthening the Compliance Structure. The Group ensures that corporate officers and employees are conversant with these basic compliance policies and standards to promote rigorous Group-wide compliance efforts.

Fostering Compliance

In line with the Group's basic policies on compliance, each company in the T&D Life Group has implemented a program of compliance awareness-raising measures that is tailored to the character and scale of that company's operations. For example, T&D Holdings and the three life insurance companies have formulated specific action plans called the "Compliance Program" and a guideline called the "Compliance Manual" to ensure full legal and regulatory compliance by corporate officers and employees.

Internal Reporting System

Within the T&D Life Group, each of the Group's three life insurance companies and other Group members previously operated their own internal reporting systems. In April 2005, however, the T&D Life Group Helpline was established for use by all corporate officers and employees in the Group. Rules applied to the T&D Life Group Helpline include the stipulation that whistleblowers will not suffer any disadvantageous treatment as a result of using the system to submit information relating to suspected compliance violations. Compliance-related reports can also be submitted by phone or online through an external independent company to help preserve anonymity, thereby enhancing the effectiveness of the system. Going forward, the T&D Life Group is committed to promoting greater compliance through the use of this internal reporting system.

Accountability

To maintain and reinforce trust among all of its stakeholders, beginning with its shareholders, investors, and policyholders, and to increase the level of transparency in its corporate governance, T&D Holdings strives to provide easy-to-understand disclosure based on its core disclosure principles of timeliness, fairness, and accuracy.

T&D Holdings discloses statutory information stipulated in the Japanese Companies Act, the Insurance Business Act, the Financial Instruments and Exchange Act, other related laws and ordinances, and the rules of the stock exchanges on which its stock is listed. T&D Holdings also discloses information it deems to be important for its stakeholders, taking into account the business environment, economic conditions, and industry trends in accordance with its basic policy on disclosure.

In releasing information, T&D Holdings works positively to disclose information to all stakeholders, utilizing various communication channels that include the Timely Disclosure Circulation System (TDnet) offered by the Tokyo Stock Exchange, news releases, and the T&D Holdings website, as well as printed materials such as disclosure materials, annual reports, and CSR reports. Furthermore, T&D Holdings is actively engaged in IR activities based on its IR policy (see page 156), while ensuring that briefings are provided by members of senior management, in principle.

Basic Policy for Eliminating Antisocial Powers

In its Group Compliance Code of Conduct, the T&D Life Group defines its policy toward antisocial powers as to "Reject and stringently respond to any antisocial powers and organizations that threaten the order and safety of civil society." In accordance with this policy, the Group responds to antisocial powers in the following manner.

Basic Policy for Responding to Antisocial Powers

1. Respond as an Organization

When antisocial powers make threats or demands, the Company responds as a unified organization, rather than delegating this responsibility to the related personnel or divisions. Further, the Company takes steps to ensure the safety of the corporate officers and employees responsible for dealing with such threats or demands.

2. Cooperate with External Experts

The Company maintains close contact with external organizations, such as the police, the National Center for the Elimination of Boryokudan, and lawyers, to protect itself against the threats or demands of antisocial powers.

3. Avoid Contact

The Company avoids making any contact with antisocial powers and does not conduct any transactions with these powers. Also, the Company does not cooperate with threats or demands from antisocial powers. The same avoidance of contact, transactions, or cooperation with antisocial powers applies to loans and other transactions conducted in alliance with other companies, such as credit sales firms.

4. Take Legal Action

When necessary, the Company will take legal action in response to threats or demands from antisocial powers, including bringing civil and criminal charges against these powers.

5. Forbid Illegal Transactions and Provision of Funds

Even in the event that the threats or demands of antisocial powers are in response to misdeeds in the Company's business operations or by its corporate officers or employees, the Company will not engage in illegal transactions with these powers to conceal this fact. Further, the Company will not provide funds to antisocial powers.

Corporate Governance Data

Total Compensation Paid to Directors and Audit & Supervisory Board Members (Fiscal 2013)

Category	Monthly compensation		Reserve for bonus		Stock compensation-type stock options		Compensation total	
	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)
Directors	12	196	6	53	6	49	12	300
(Outside appointees)	(2)	(13)	(0)	(-)	(0)	(-)	(2)	(13)
Audit & Supervisory Board Members	6	69	0	-	0	-	6	69
(Outside appointees)	(3)	(15)	(0)	(-)	(0)	(-)	(3)	(15)
Total	18	266	6	53	6	49	18	370

- The annual compensation limit established at a shareholders' meeting is ¥500 million for directors and ¥130 million for audit & supervisory board members. Bonuses are included in the amount for directors. In addition, the annual compensation limit for stock compensation-type stock options (stock acquisition rights) for directors is ¥100 million, established separately from the above annual compensation limit for directors (excluding outside directors).
- The above-mentioned payments include one director and two audit & supervisory board members who stepped down from their posts as of the close of the ninth ordinary shareholders' meeting, held on June 26, 2013. As of March 31, 2014, the Group had eleven directors and four audit & supervisory board members.
- In addition, the Group paid ¥6 million in bonuses to six directors (including one who stepped down), which were not included in the reserve for directors' and audit & supervisory board members' retirement benefits recorded in fiscal 2013.

Information Related to the Independent Financial Auditor (Fiscal 2013)

Name	Ernst & Young ShinNihon LLC
Amount paid for statutory services ¹	¥188 million
Total remuneration to be paid by the Group to the independent financial auditor ²	¥416 million

- Total remuneration for audits in accordance with the Japanese Companies Act and for audits in accordance with the Financial Instruments and Exchange Act.
- Total amounts of remuneration and other financial profits to be paid by T&D Holdings and its subsidiaries.

Holdings of the Directors and Audit & Supervisory Board Members

	June 26, 2014	June 26, 2013	June 27, 2012
President	15,753 shares	13,881 shares	11,401 shares
Other directors (average)	11,063 shares	9,390 shares	8,950 shares
Audit & supervisory board members (average)	3,888 shares	4,448 shares	2,094 shares

Board of Directors, Audit & Supervisory Board, and Executive Committee (Fiscal 2013)

Name	Number of meetings	Attendance rate	Main members and attendees
Board of Directors	22	97.9%	Directors and audit & supervisory board members
Audit & Supervisory Board	14	100.0%	Audit & supervisory board members
Executive Committee	51	97.7%	President, executive officers and standing audit & supervisory board members
Group Management Committee	16	97.1%	President, presidents of the three life insurance companies and standing audit & supervisory board members, etc.

Existence of Policy or System

Item	Yes/No	Comments
Executive officer system	Yes	
Framework for setting directors' compensation	Yes	Disclosed in business reports, "YUHO Report", and other financial documents.
Director/Audit & supervisory board member share ownership	Yes	
Stock option system	Yes	
Liability limitation contract for outside directors and audit & supervisory board members	Yes	
Liability limitation contract for independent financial auditor	No	
Hostile takeover protection plan	No	
Basic code of ethics	Yes	T&D Life Group CSR Charter
Basic corporate ethics policy	Yes	T&D Life Group Compliance Code of Conduct

Corporate Social Responsibility

The Public Mission of the Life Insurance Industry

Life insurance is a mutual aid system based on pooling contributions from many people and intended to reduce the future financial burden and worry in case of need due to death, illness, or nursing care on the part of customers or their families. It also helps supplement the public social security system (public pensions and health insurance, etc.).

Meanwhile, life insurance companies support economic activity by supplying capital needed by various sectors—government, corporate, and private—through investment of customer premiums.

The life insurance industry is playing an increasingly important role as part of the social infrastructure intended to support society with its aging population and falling birthrate. The T&D Life Group will continue contributing to people and to society by fulfilling the public and social responsibilities their business entails.

Top Management Commitment

Beyond Its Business Activities, T&D Works to Resolve Societal Issues

A decade has passed since the companies that comprise the T&D Life Group united as a single life insurance group under holding company T&D Holdings. The intervening years saw the emergence of adverse occurrences that included global economic turmoil and the Great East Japan Earthquake. In this context, the companies of the T&D Life Group pooled their respective knowledge and sought to compete with and learn from one another while banding together to tackle a range of issues.

The most striking feature of the T&D Life Group is that the Group's three core life insurance companies—Taiyo Life, Daido Life, and T&D Financial Life—deliver distinctive insurance products through disparate channels to customers in starkly different markets—households, SMEs, and OTC sales at financial institutions and other agents. Guided by the T&D Life Group's Corporate Philosophy with the "Try & Discover" motto, each Group company is committed to contributing to people and society through the creation of value, developing their respective operations under the Group's shared Management Vision. While bound together through a common corporate philosophy and vision as a prominent insurance group, each company nonetheless takes optimal advantage of its own uniqueness and specialties, building a robust foundation that has led to the steady growth of the T&D Life Group.

Since coming together a decade ago under T&D Holdings and through to today, the individual Group companies have provided deeply original products and services, and promoted a host of distinctive CSR activities that have won the trust of a wide range of stakeholders and contributed to resolving societal problems. Indeed, the very breadth of efforts in this field is itself a strength of the T&D Life Group.

Japan today is confronting low birth rates, societal aging, and a diverse array of societal issues emanating from these challenges, themselves the result of numerous social changes, including the speed of economic growth, people's mindsets, and working styles, as well as advances in medicine. Taking on these societal issues, considering approaches to resolving them, and providing these

solutions to customers and our wide range of other stakeholders, form the concrete actions we take in order to make our Group's Corporate Philosophy a reality.

In 2014, the companies of the T&D Life Group were signatories to the Principles for Financial Action for the 21st Century propagated by Japan's Ministry of the Environment, publicly declaring the commitment to promoting measures for the formation of a sustainable society through their respective operations.

For the diverse societal issues concerning individuals, households and corporations emerging from social change, the T&D Life Group is striving through the wide-ranging business activities of each company to solve problems by providing distinctive insurance products and services from each Group company, and through its roles as a player in communities and environmental protection.

When it comes to the execution of initiatives of this kind, however, the work of the Group companies, including the holding company, and every individual director, officer and employee, is essential. To promote CSR activities as a Group, in 2011 we established the Group CSR Committee with a remit spanning the entire T&D Life Group. This committee ensures that a continuous PDCA cycle is in effect for the entire Group by confirming at the fiscal year-end actions taken during the previous 12 months, formulating a course of action for the coming fiscal year, and putting initiatives into practice while verifying past efforts. In parallel, we pursue management that enables the Group companies and their respective directors, officers and employees to consistently enact measures for resolving societal issues.

As we look ahead, we are determined to contribute to people and society through actions designed to faithfully fulfill our roles and duties as a corporate citizen by seeking to resolve issues in ways that only the T&D Life Group can.

Kenji Nakagome

Representative Director and President, T&D Holdings, Inc.

T&D Life Group's Basic Policy on CSR and Promotion Framework

The T&D Life Group's basic policy on CSR is to contribute to society through its core business as a life insurance company and to earn society's trust by dealing sincerely with the public and the Company's various other stakeholders based on its Group corporate philosophy and vision. Through these processes, we aim to achieve sustained growth in step with society.

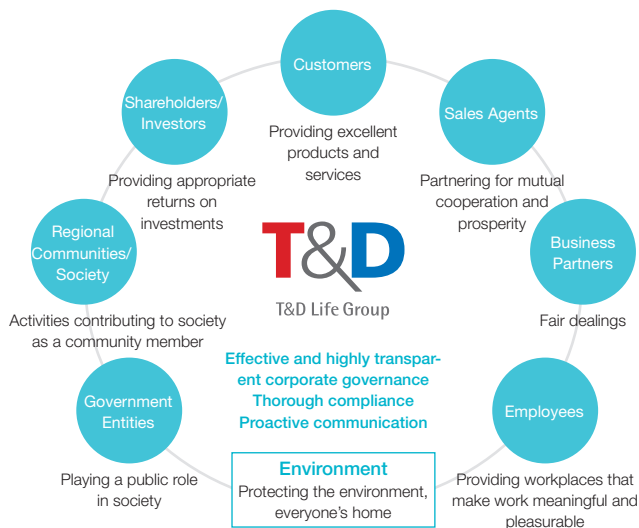
The T&D Life Group has established the Group CSR Committee, which is chaired by the President of T&D Holdings and consists of directors in charge of CSR and other representatives from each Group company. This allows all Group companies to play an active role in the promotion of CSR-related activities. Further, this

committee discusses Group-wide CSR policies and initiatives, and therefore has enabled the Group to strengthen its systems for promoting CSR activities uniformly throughout the Group.

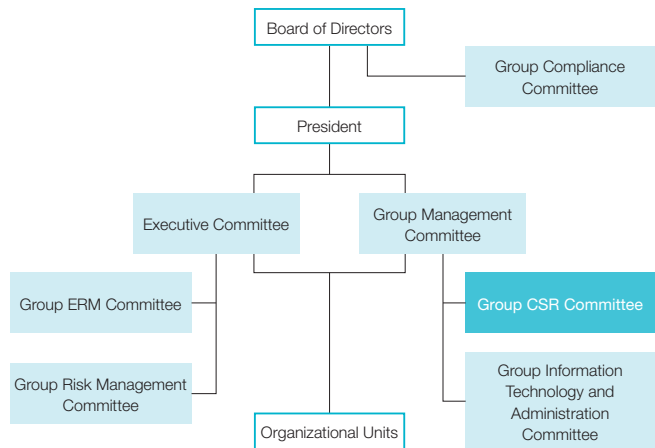
Through the Group CSR Committee, T&D Holdings and its direct subsidiaries discuss, consider and share information on the following matters:

- 1) Basic Policy on CSR
- 2) Common Group-wide measures
- 3) Promoting Group-wide collaboration on measures planned and implemented by Group companies
- 4) Progress on common Group-wide measures and measures at each company

▶ T&D Life Group and Its Stakeholders



▶ Group CSR Promotion System



T&D Life Group CSR Charter

The T&D Life Group has formulated the T&D Life Group CSR Charter as a basic policy for further promoting CSR in accordance with its corporate philosophy.

 <http://www.td-holdings.co.jp/en/csr/policy/charter/index.html>

T&D Life Group Environmental Policy

The T&D Life Group formulated the T&D Life Group Environmental Policy to clarify the Group's stance on the environment and has worked to disseminate the policy among corporate officers and employees. The Group also promotes various activities to reduce our environmental impact. The Group has set out Green Purchasing Standards and Rules, and gives priority to purchasing environment-friendly products and services. These include not only office furniture, equipment and consumable supplies essential for business activities, but also printing of product pamphlets, policy terms and conditions, real estate facilities and system equipment.

 <http://www.td-holdings.co.jp/en/csr/policy/environment/index.html>

Principles for Financial Action for the 21st Century

T&D Holdings and its four directly owned subsidiaries (Daido Life, T&D Financial Life, T&D Asset Management and Pet & Family Small-amount Short-term Insurance) endorse the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century), and in July 2014, the companies signed this initiative. Following on from Taiyo Life which has

already signed in November 2011, all the companies of the T&D Life Group (T&D Holdings and five directly owned subsidiaries) have signed these Principles.

The T&D Life Group aims to be a group that contributes to all people and societies through its business activities.

Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)

1. We will recognize our roles and responsibilities, taking into account the precautionary approach, and promote those actions that contribute towards shaping a sustainable society.
2. We will contribute to the formation of a sustainable global society through the development and provision of financial products and services leading to the development and increased competitiveness of "industries contributing to a sustainable society" as represented by the environmental technologies and services sector.
3. From the perspective of regional development and improvement in sustainability performance, we assist the environmental programmes of small and medium enterprises. We will also back activities that will raise environmental awareness amongst citizens and support disaster readiness and community activities.
4. In the formation of a sustainable society we will recognize the importance of cooperation with diverse stakeholders and will not only participate in its activities but will endeavor to take a proactive role.
5. We will not be limited to complying with environmental laws and regulations but will take active steps to reduce our own environmental footprint through resource and energy savings as well as encouraging our suppliers to do likewise.
6. We will recognize activities that will further profile sustainability as a business issue and will endeavor to disclose information on our activities.
7. In order to implement the above actions we will aim to raise the awareness of environmental and societal issues of our own board and support them to take an active role through their normal duties.

Inclusion in Socially Responsible Investment (SRI) Indexes

T&D Holdings is included in SRI indexes (as of March 31, 2014).



FTSE4Good



Distinctive Initiatives of the T&D Life Group

In earnestly tackling the issues confronting Japanese society today, the T&D Life Group is advancing initiatives that help to resolve issues through its wide-ranging business activities, including through the provision of better products and services.

Societal Issues

“Contributing to a Society in which People Can Live With Peace of Mind”

Preparing for a Future in Which Japanese Society is Changing and Risks are Diversifying

People want to live happily with their families. They also hope to pass on the companies they found to future generations. Honoring this human desire to protect what's important is the mission of an insurance company. As low birth rates, societal aging and advances in medicine suggest, the structure of Japanese society today is changing, while risks are becoming more diversified. In this world, the T&D Life Group is developing new products and services to prepare for the arrival of the future.



Initiatives of the T&D Life Group

As a corporate group anchored by life insurance companies, we offer insurance products and services needed by more people than ever. The greatest feature of the T&D Life Group is the provision of products to a broad array of customers, spanning families to corporate managers, by core life insurance companies, each utilizing its own distinctive sales channels. We are eliminating worries and risks for more customer segments than ever, providing them with hope for the future. By taking advantage of the strengths offered individually by the three core life insurance companies of the T&D Life Group, we provide the best life coverage tailored to a family's lifecycle, prepare the managers of diverse SMEs for potential risks, and assist a broad spectrum of customers in being ready for the challenges of a rapidly aging society.

“Toward a Sustainable Society”

Protecting the Global Environment

Global environmental protection is one of the most important issues in the push to develop a sustainable society. At the same time, global warming, a determinant in the emergence of a host of diseases, is an increasingly vital concern for the T&D Life Group given its direct connection to human life and health. For the sake of the next generation and the current generation alike, we promote measures to protect the global environment as part of our business activities.



The T&D Life Group has outlined shared targets for reducing electricity and office paper usage and promoting green procurement, advancing measures to achieve these targets in the course of its daily business activities.

Taiyo Life has set up a “Forest of Taiyo Life” in two locations in Japan, developing forest conservation activities carried out by employee volunteers. The scope of these activities is now spreading across the Group since becoming available to employees from all Group companies from 2013. T&D Holdings and its direct subsidiaries, meanwhile, have endorsed and become signatories to the Principles for Financial Action for the 21st Century propagated by Japan's Ministry of the Environment.

“Toward a Society in which Everyone Can Play an Active Role”

Respecting Human Rights

We offer a dynamic working environment for our employees. Beyond the individual happiness of employees, we consider this to be a vital corporate social responsibility of the T&D Life Group, one that is tied to our corporate growth and to the further revitalization of Japanese society as a whole. To this end, since the launch of the Group we have advanced efforts to create a corporate culture that diverse human resources will find engaging to work in and that enables them to reach their potential.



To enable work with high levels of motivation and enthusiasm by all employees, the Group has introduced a variety of training courses together with systems that enable a better working environment, and actively makes full use of all personnel capabilities and determines postings regardless of gender, age, nationality and whether or not the employee has a disability. In particular, the Group is building workplaces where women can fully utilize their skills and engage in an extensive range of activities. In recent years, this includes the promotion of talented female employees to management positions, and the holding of seminars to encourage female workers to build their careers.

Additionally, we encourage human resource interaction, taking advantage of the Group's most distinctive feature—a business model consisting of three unique and specialist life insurance companies—to offer opportunities for employees to learn from one another about the outstanding skills and expertise they mutually possess.

Social Contribution Activities

The T&D Life Group is striving for sustainable growth in partnership with society and to fulfill both its public mission and social responsibility, contributing to society in various ways from the standpoint of protecting the global environment, improving health, medical care and welfare, sound social development, and other perspectives.

“Nationwide Clean Campaign”

Since 1982, Taiyo Life has carried out annual clean-up activities in the vicinity of its head office as part of social contribution activities in the local community. Following enactment of an initiative entitled the “Nationwide Clean Campaign” beginning in 2004, all branches across Japan have joined in with similar clean-up activities in their own surrounding communities. In fiscal 2013, 8,612 employees (including family members) from the head office, affiliates and branches took part in this campaign.

At the head office (Shiodome, Tokyo), Taiyo Life is a cosponsor with the Minato Eco-conscious Consortium (mecc) of Minato Ward, Tokyo, of a local street clean-up campaign. Participants include those from Taiyo Group companies, as well as volunteers from mecc member companies.



Special Support for the National Sports Games for the Disabled

In 1992, when the company celebrated its 90th anniversary, the first National Sports Games for the Mentally Handicapped (Yuaipic)* was held in Japan, and Daido Life has been a special supporter of this annual event since then. Every year, Daido Life sets up a company booth in the Fureai Hiroba (Get-Together Plaza), a venue for interacting with participating athletes, where many executives and employees of Daido Life serve as volunteers to support this event.

In fiscal 2013, the event, dubbed Sports Festival Tokyo 2013, was held in Tokyo, and saw participation in volunteer activities by more than 1,000 T&D members, among them executives from Group companies.



* The National Sports Games for the Mentally Handicapped merged with the National Sports Games for the Physically Disabled in 2001, and has been held as the National Sports Festival for People with Disabilities since then.

Support for the Japan Down Syndrome Society

Taiyo Life interacts with and supports in various forms the work of the Japan Down Syndrome Society (JDS). Members of the Society were invited to take part in a forest classroom experience conducted as part of “Forest of Taiyo Life” forest conservation activities. Taiyo Life executives, employees and others took part as volunteers in the forest classroom to support these activities. Additionally, as part of its ongoing support, Taiyo Life donates desks, chairs and other office equipment to the JDS, and provides meeting rooms in its buildings for seminars, council and board meetings sponsored by the Society.



Donations for Open Lectures at Universities

Daido Life began supporting through donations open lectures at universities in 2002 as part of the company's centenary celebrations. The lectures are organized to provide owners and managers of SMEs with opportunities to acquire knowledge and skills relevant to business and management. The lectures have been extremely well received, with more than 9,800 people attending over the past 12 years.

The content of the lectures differ based on the distinctive approach devised by each host university, with themes and the scheduled lecturers chosen to offer a mix of theoretical and practical contributions to the management of SMEs. Specialized lecturers are also dispatched from the TKC National Federation (an organization of working accountants who utilize a proprietary computerized accounting system) for sessions offering practical content from a tax and certified public accountant perspective.



Forest Conservation Activities

Taiyo Life has established a “Forest of Taiyo Life” in Japan’s Tochigi Prefecture (2006) and Shiga Prefecture (2007) as part of forest conservation activities run by employee volunteers. The scope of these activities continues to expand throughout the T&D Life Group, including the opening of participation to executives and employees from all Group companies from 2013.



Support for Recovery from the Great East Japan Earthquake

Daido Life provides cooperative assistance on a project organized by the Japan Philanthropic Association that sends storybooks to children living in the disaster-stricken area of Fukushima. Executives and employees from Group companies have donated a total of 569 storybooks. These books are loaded onto the Storybook Bus and the Storybook Car, which present the books to children during regular visits to nursery schools and kindergartens in the disaster zone.

In addition, Group companies within the T&D Life Group contribute to funds to assist local governments and facilities for the disabled within disaster areas and to provide scholarships.



Promoting Environmental Communication

T&D Holdings endorses the activities of Associates of the Earth, a Japanese environmental NGO that produces the Japanese edition of *Our Planet* and *TUNZA*, both published by the United Nations Environment Programme (UNEP). These two publications are distributed to all companies in the T&D Life Group as well as to local junior and senior high schools, public libraries, and other parties, to raise awareness of environmental issues.



T&D Life Group CSR Report

The T&D Life Group prepares CSR reports every year to provide stakeholders with a clear picture of the Group’s concepts of and approach to CSR, as well as its CSR initiatives.

We divided the report into two different booklets—special topics and Data Edition—in order to better communicate the Group’s various initiatives to a wide variety of stakeholders. The special topics booklet has been condensed by selectively choosing the booklet’s contents to include information on items that are of high interest to stakeholders, along with items that the Group has a strong desire to communicate. Meanwhile, the Data Edition booklet offers a comprehensive overview of the wide-ranging management, social, and environmental initiatives the Group is advancing based on the GRI Guidelines, which are international guidelines for CSR reports. (Corporate Social Responsibility Report 2014 is scheduled to be published in September 2014.)

Please read our CSR report for more on the T&D Life Group’s CSR initiatives.

[WEB <http://www.td-holdings.co.jp/en/csr/report/index.html>](http://www.td-holdings.co.jp/en/csr/report/index.html)

Corporate Data

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Selected Financial Data

T&D HOLDINGS

The following selected financial data are calculated based on consolidated T&D Holdings data from the fiscal year ended March 31, 2005, and based Furthermore, "Policy results" and "Other data" are the simple sum of the non-consolidated figures of the three life insurance companies.

Years ended March 31	2004	2005	2006	2007
Statement of Operation Data				
Ordinary revenues:				
Income from insurance premiums	¥1,878,572	¥1,798,983	¥1,902,318	¥1,811,596
Investment income	486,242	336,139	465,671	407,449
Other ordinary income	270,836	181,643	76,282	66,954
Equity in net income of affiliated companies	—	16	22	33
Total ordinary revenues	2,635,651	2,316,781	2,444,295	2,286,034
Ordinary expenses:				
Insurance claims and other payments	1,973,271	1,825,635	1,746,057	1,630,683
Provision for policy and other reserves	78,884	1,055	173,171	94,235
Investment expenses	168,274	92,037	103,132	115,212
Operating expenses	212,577	205,681	209,728	208,963
Other ordinary expenses	68,660	83,534	75,358	78,767
Total ordinary expenses	2,501,667	2,207,943	2,307,448	2,127,862
Ordinary profit (loss)	133,984	108,838	136,846	158,172
Net extraordinary gains (losses)	(20,095)	(11,920)	(37,433)	(33,027)
Provision for reserve for policyholder dividends	43,656	44,977	44,476	56,481
Income (loss) before income taxes	70,232	51,940	54,936	68,663
Income taxes:				
Current	26,391	1,607	30,696	50,665
Deferred	2,537	13,081	(11,428)	(20,909)
Total income taxes	—	—	—	—
Minority interests (losses)	—	120	123	134
Net income (loss)	¥ 41,303	¥ 37,131	¥ 35,545	¥ 38,772

As of March 31	2004	2005	2006	2007
Balance Sheet Data				
Assets:				
Total assets	¥13,109,752	¥13,043,431	¥13,986,233	¥14,090,977
Liabilities:				
Policy reserves	12,219,377	12,092,991	12,250,835	12,344,781
Total liabilities	12,570,686	12,459,696	12,904,619	13,000,748
Net assets:²				
Total stockholders' equity	—	—	—	455,883
Total accumulated other comprehensive income ³	—	—	—	632,435
Total net assets	¥ 539,066	¥ 582,331	¥ 1,080,098	¥ 1,090,229

1. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

2. The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1 2006. Total net assets until March 31, 2006 represents total stockholders' equity.

3. Effective from April 1, 2010, the Company has adopted Accounting Standard for Presentation of Comprehensive Income. Total accumulated other comprehensive income until March 31, 2010,

Years ended March 31	2004	2005	2006	2007
Policy Results:¹				
Policy amount in force	¥58,508,475	¥59,573,531	¥60,265,007	¥59,899,966
New policy amount	7,568,059	7,544,973	7,293,876	6,634,789
Surrender and lapse amount	5,199,186	4,875,798	5,102,759	5,362,520

1. The total of individual insurance, individual annuities and Daido Life's *J-type product*. The new policy amount includes increase from conversions.

Other Data:

Core profit (loss)	¥ 141,752	¥ 129,809	¥ 127,267	¥ 173,318
Embedded value (EV)¹	1,117,800	1,198,300	1,992,800	2,072,100
Consolidated solvency margin ratio²	—	—	—	—

1. EV is shown in terms of hundreds of millions of yen with amounts less than this unit omitted. EV is represented by TEV until March 31, 2006, EEV from the fiscal year ended March 31, 2007, to March 31, 2011, and 2. Consolidated solvency margin ratio is disclosed from the end of fiscal year ended March 31, 2012.

on a simple sum of the non-consolidated financial data for Taiyo Life, Daido Life, and T&D Financial Life through the fiscal year ended March 31, 2004.

						¥ millions
2008	2009	2010	2011	2012	2013	2014
¥1,613,190	¥1,654,476	¥1,898,372	¥1,474,287	¥1,691,207	¥1,940,900	¥1,609,732
445,413	407,295	375,721	304,160	325,066	402,985	397,818
271,427	478,043	74,829	214,635	87,814	75,043	78,146
39	46	12	5	19	29	37
2,330,071	2,539,862	2,348,937	1,993,089	2,104,107	2,418,959	2,085,734
1,647,033	1,814,296	1,736,856	1,512,240	1,524,837	1,343,556	1,520,988
2,529	881	109,465	9,080	63,423	516,959	22,597
241,970	611,706	128,129	106,772	110,547	118,387	86,680
205,853	212,260	214,401	199,836	201,047	203,781	197,655
76,971	84,582	79,497	70,177	83,363	84,584	71,588
2,174,358	2,723,727	2,268,350	1,898,109	1,983,218	2,267,269	1,899,510
155,712	(183,864)	80,586	94,980	120,889	151,689	186,224
(31,415)	83,932	(17,357)	(22,832)	(18,415)	(27,483)	(30,736)
45,384	8,971	29,517	29,742	30,444	31,197	31,638
78,912	(108,903)	33,712	42,405	72,029	93,008	123,849
64,753	2,289	1,068	2,339	1,852	27,436	48,113
(22,581)	(22,192)	8,165	16,028	43,215	1,644	(3,402)
42,172	(19,903)	9,234	18,368	45,067	29,081	44,711
(9)	96	185	159	198	193	155
¥ 36,749	¥ (89,097)	¥ 24,292	¥ 23,877	¥ 26,763	¥ 63,733	¥ 78,982

						¥ millions
2008	2009	2010	2011	2012	2013	2014
¥13,366,056	¥12,498,562	¥12,878,774	¥12,740,740	¥12,861,065	¥13,668,719	¥13,804,219
12,137,756	11,699,006	11,798,449	11,656,994	11,698,127	12,209,259	12,226,787
12,688,782	12,202,169	12,248,299	12,118,712	12,175,476	12,748,972	12,783,895
475,998	428,471	553,668	562,240	568,526	617,210	683,519
199,455	(133,814)	74,935	57,801	114,931	299,970	333,929
¥ 677,273	¥ 296,393	¥ 630,475	¥ 622,027	¥ 685,588	¥ 919,746	¥ 1,020,324

represents total valuation and translation adjustments.

						¥ millions
2008	2009	2010	2011	2012	2013	2014
¥59,340,357	¥58,097,157	¥57,700,043	¥58,133,933	¥58,780,149	¥59,996,511	¥60,699,818
6,201,803	5,991,074	6,329,931	6,441,946	6,630,911	7,158,927	6,639,823
5,064,229	5,373,255	5,112,498	4,497,351	4,269,084	4,071,327	3,967,421
¥ 159,772	¥ (27,062)	¥ 131,088	¥ 107,776	¥ 144,909	¥ 182,498	¥ 210,256
1,621,600	866,500	1,374,900	1,369,100	1,543,000	1,664,400	1,970,100
—	—	—	—	810.6%	943.8%	1,115.0%

Group MCEV from the fiscal year ended March 31, 2012.

TAIYO LIFE

Years ended March 31	2004	2005	2006	2007
Statement of Operation Data				
Ordinary revenues:				
Income from insurance premiums	¥ 794,168	¥ 788,174	¥ 823,011	¥ 705,582
Investment income	261,588	177,784	198,089	211,893
Other ordinary income	202,120	175,898	55,318	94,541
Total ordinary revenues	1,257,877	1,141,857	1,076,418	1,012,017
Ordinary expenses:				
Insurance claims and other payments	975,834	931,372	857,053	772,881
Provision for policy and other reserves	2,606	102	88	1,731
Investment expenses	117,886	59,992	54,893	70,357
Operating expenses	85,533	82,745	82,533	78,811
Other ordinary expenses	44,156	41,591	34,895	36,572
Total ordinary expenses	1,226,018	1,115,804	1,029,464	960,354
Ordinary profit (loss)	31,859	26,053	46,954	51,662
Net extraordinary gains (losses)	(6,986)	(723)	(19,484)	(14,639)
Provision for reserve for policyholder dividends	11,915	13,421	15,932	15,040
Income (loss) before income taxes	12,956	11,908	11,537	21,983
Income taxes:				
Current	36	(5,473)	8,934	17,824
Deferred	5,899	10,201	(3,716)	(9,258)
Total income taxes	—	—	—	—
Net income (loss)	¥ 7,020	¥ 7,179	¥ 6,319	¥ 13,416

As of March 31	2004	2005	2006	2007
Balance Sheet Data				
Assets:				
Total assets	¥6,409,552	¥6,276,553	¥6,591,994	¥6,552,504
Liabilities:				
Policy reserves	6,060,167	5,919,054	5,899,100	5,836,539
Total liabilities	6,184,311	6,056,764	6,173,421	6,121,912
Net assets:²				
Total stockholders' equity	—	—	—	160,884
Total valuation and translation adjustment	—	—	—	269,707
Total net assets	¥ 225,240	¥ 219,789	¥ 418,573	¥ 430,592

1. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

2. The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until March 31, 2006, represents total stockholders' equity.

Years ended March 31	2004	2005	2006	2007
Policy Results:¹				
Policy amount in force	¥16,077,894	¥16,966,276	¥17,591,527	¥17,644,524
New policy amount	2,814,284	2,891,002	2,838,316	2,127,375
Surrender and lapse amount	1,362,689	1,424,081	1,644,026	1,503,878
Surrender and lapse rate	8.92%	8.86%	9.69%	8.55%

1. The total of individual insurance and individual annuities. The new policy amount includes net increase from conversions.

Other Data:

Core profit	¥ 37,551	¥ 33,823	¥ 38,199	¥ 53,984
Embedded value (EV)¹	340,700	337,600	717,800	738,600
Solvency margin ratio	—	—	—	—
Former standard based solvency margin ratio	863.3%	865.7%	1,045.2%	1,100.4%
Number of in-house sales representatives	8,703	9,111	8,963	8,116

1. EV is shown in terms of hundreds of millions of yen with amounts less than this unit omitted. EV is represented by TEV until March 31, 2006, EEV from the fiscal year ended March 31, 2007, to March 31, 2011, and

¥ millions

2008	2009	2010	2011	2012	2013	2014
¥ 635,739	¥ 596,626	¥713,674	¥717,992	¥ 903,434	¥1,018,383	¥655,233
229,614	232,684	166,805	178,480	193,178	187,629	175,794
134,987	282,889	44,209	23,243	25,101	23,585	26,244
1,000,341	1,112,199	924,689	919,716	1,121,714	1,229,598	857,272
747,133	803,743	706,669	685,170	714,467	654,858	585,429
105	103	77	15,696	152,459	319,781	52,437
76,132	241,832	44,943	48,386	60,134	47,926	29,303
77,088	79,807	82,764	80,442	83,538	85,578	77,693
42,843	50,377	45,400	40,202	50,416	52,652	40,151
943,302	1,175,863	879,856	869,898	1,061,015	1,160,797	785,015
57,038	(63,664)	44,832	49,817	60,698	68,801	72,257
(20,975)	53,543	(14,354)	(14,205)	(14,832)	(14,789)	(12,931)
13,964	2,755	14,869	15,486	16,261	16,995	17,688
22,099	(12,875)	15,608	20,125	29,605	37,017	41,637
23,202	611	(563)	1,927	4,508	10,342	17,045
(13,147)	2,101	1,649	5,615	13,989	1,073	(1,763)
10,055	2,712	1,085	7,543	18,498	11,416	15,282
¥ 12,044	¥ (15,587)	¥ 14,522	¥ 12,582	¥ 11,106	¥ 25,601	¥ 26,355

¥ millions

2008	2009	2010	2011	2012	2013	2014
¥6,185,591	¥5,771,192	¥5,842,309	¥5,929,408	¥6,173,118	¥6,645,339	¥6,760,825
5,731,104	5,477,317	5,468,857	5,483,843	5,632,210	5,951,016	5,998,989
5,931,259	5,625,450	5,627,078	5,714,159	5,918,894	6,260,697	6,360,611
166,333	192,685	195,330	200,159	204,275	222,597	245,046
87,997	(46,942)	19,900	15,088	49,948	162,043	155,166
¥ 254,331	¥ 145,742	¥ 215,231	¥ 215,248	¥ 254,223	¥ 384,641	¥ 400,213

¥ millions

2008	2009	2010	2011	2012	2013	2014
¥17,182,229	¥17,355,260	¥18,119,082	¥19,278,245	¥20,234,156	¥21,023,223	¥21,595,680
1,474,153	2,013,176	2,441,005	2,813,206	2,911,924	2,974,307	2,696,671
1,348,619	1,245,535	1,118,829	1,132,838	1,222,196	1,236,211	1,255,419
7.64%	7.25%	6.45%	6.25%	6.34%	6.11%	5.97%
¥ 53,063	¥ 45,013	¥ 50,959	¥ 50,430	¥ 57,578	¥ 67,218	¥ 72,611
574,900	295,800	475,700	490,600	555,400	637,000	705,100
—	—	—	670.8%	747.3%	823.4%	981.3%
1,000.6%	866.4%	1,023.8%	1,229.7%	—	—	—
7,619	8,226	9,014	9,102	8,886	8,856	8,603

Group MCEV from the fiscal year ended March 31, 2012.

DAIDO LIFE

Years ended March 31	2004	2005	2006	2007
Statement of Operation Data				
Ordinary revenues:				
Income from insurance premiums	¥ 928,260	¥ 884,804	¥ 871,153	¥ 865,254
Investment income	194,634	146,685	180,674	183,345
Other ordinary income	67,410	27,600	10,624	13,217
Total ordinary revenues	1,190,304	1,059,090	1,062,452	1,061,817
Ordinary expenses:				
Insurance claims and other payments	910,190	805,080	791,872	758,211
Provision for policy and other reserves	988	2,633	906	3,518
Investment expenses	49,887	32,919	46,696	44,143
Operating expenses	108,698	108,881	109,262	111,815
Other ordinary expenses	15,746	13,740	14,268	22,881
Total ordinary expenses	1,085,512	963,256	963,007	940,570
Ordinary profit (loss)	104,792	95,834	99,445	121,247
Net extraordinary gains (losses)	(13,301)	1,075	(15,601)	(12,749)
Provision for reserve for policyholder dividends	30,521	30,550	27,310	40,068
Income (loss) before income taxes	60,969	66,359	56,532	68,429
Income taxes:				
Current	26,279	22,789	27,266	34,907
Deferred	(3,361)	10,260	(9,833)	(9,635)
Total income taxes	—	—	—	—
Net income (loss)	¥ 38,052	¥ 33,309	¥ 39,099	¥ 43,157

As of March 31	2004	2005	2006	2007
Balance Sheet Data				
Assets:				
Total assets	¥6,017,918	¥5,983,742	¥6,406,113	¥6,397,075
Liabilities:				
Policy reserves	5,514,531	5,488,102	5,476,012	5,474,512
Total liabilities	5,724,865	5,665,790	5,815,892	5,792,285
Net assets:²				
Total stockholders' equity	—	—	—	241,290
Total valuation and translation adjustment	—	—	—	363,499
Total net assets	¥ 293,053	¥ 317,951	¥ 590,221	¥ 604,789

1. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

2. The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until March 31, 2006, represents total stockholders' equity.

Years ended March 31	2004	2005	2006	2007
Policy Results:¹				
Policy amount in force	¥39,294,826	¥39,694,223	¥40,008,062	¥39,732,098
Individual term life insurance	34,964,126	35,479,688	35,933,681	35,818,119
<i>J-type product</i>	—	—	—	—
New policy amount	4,309,774	4,354,238	4,292,776	4,327,836
Individual term life insurance	4,087,377	4,126,043	4,080,769	4,141,994
<i>J-type product</i>	—	—	—	—
Surrender and lapse amount	3,317,779	3,026,570	3,040,038	3,615,874
Surrender and lapse rate	8.44%	7.70%	7.66%	9.04%

1. The total of individual insurance, individual annuities and *J-type product*. The new policy amount includes net increase from conversions.

Other Data:

Core profit (loss)	¥ 107,354	¥ 102,731	¥ 96,105	¥ 125,791
Embedded value (EV)¹	734,200	825,500	1,205,600	1,263,000
Solvency margin ratio	—	—	—	—
Former standard based solvency margin ratio	1,034.9%	1,037.2%	1,254.4%	1,320.4%
Number of in-house sales representatives	5,251	4,888	4,909	4,726
Number of agents	13,079	13,415	13,963	14,295

1. EV is shown in terms of hundreds of millions of yen with amounts less than this unit omitted. EV is represented by TEV until March 31, 2006, EEV from the fiscal year ended March 31, 2007, to March 31, 2011, and

							¥ millions
2008	2009	2010	2011	2012	2013	2014	
¥ 843,336	¥ 811,945	¥ 860,953	¥717,129	¥720,210	¥724,517	¥712,866	
205,775	172,388	118,496	128,897	117,803	142,588	160,483	
87,218	266,173	198,736	116,611	96,560	16,901	19,968	
1,136,330	1,250,507	1,178,186	962,639	934,574	884,006	893,318	
804,318	924,214	948,977	739,237	703,461	569,293	522,489	
2,900	773	3,125	4,354	206	76,097	119,712	
94,648	288,490	51,457	53,764	49,824	54,799	46,369	
114,170	114,413	109,859	103,937	102,754	99,036	99,377	
15,627	15,933	15,616	12,516	17,460	17,158	14,058	
1,031,664	1,343,825	1,129,036	913,810	873,706	816,385	802,008	
104,665	(93,317)	49,149	48,828	60,867	67,621	91,309	
(10,259)	31,611	(2,439)	(6,499)	(2,486)	(11,163)	(17,410)	
31,237	6,227	14,654	14,259	14,184	14,202	13,951	
63,169	(67,933)	32,055	28,070	44,196	42,255	59,948	
40,329	322	4,829	1,374	(2,267)	12,798	26,644	
(7,617)	(16,162)	6,941	10,633	27,494	570	(2,656)	
32,712	(15,840)	11,771	12,008	25,226	13,369	23,987	
¥ 30,456	¥ (52,093)	¥ 20,284	¥ 16,061	¥ 18,970	¥ 28,886	¥ 35,960	

							¥ millions
2008	2009	2010	2011	2012	2013	2014	
¥6,047,881	¥5,471,173	¥5,470,029	¥5,292,376	¥5,194,743	¥5,399,189	¥5,572,800	
5,392,173	5,106,889	4,908,389	4,799,201	4,712,459	4,783,783	4,896,850	
5,673,470	5,285,230	5,128,893	4,955,675	4,825,329	4,936,237	5,041,936	
261,844	271,592	285,713	293,728	304,218	325,329	352,559	
112,566	(85,648)	55,421	42,973	65,195	137,622	178,304	
¥ 374,410	¥ 185,943	¥ 341,135	¥ 336,701	¥ 369,414	¥ 462,951	¥ 530,863	

							¥ millions
2008	2009	2010	2011	2012	2013	2014	
¥39,897,122	¥38,621,896	¥37,291,370	¥36,752,956	¥36,557,377	¥36,933,235	¥37,255,621	
36,175,397	35,105,552	33,823,182	33,309,619	32,900,542	32,900,930	32,882,207	
—	—	—	93,113	365,449	775,298	1,192,991	
4,634,260	3,761,627	3,592,292	3,607,023	3,666,780	3,992,546	3,698,182	
4,489,837	3,627,065	3,352,441	3,372,965	3,212,663	3,374,850	3,108,689	
—	—	—	93,729	281,300	436,498	472,806	
3,550,027	3,992,418	3,879,233	3,264,337	2,954,514	2,738,436	2,537,348	
8.93%	10.01%	10.04%	8.75%	8.04%	7.49%	6.87%	
¥ 124,893	¥ (31,239)	¥ 58,667	¥ 62,169	¥ 82,465	¥ 84,635	¥ 110,673	
990,700	607,400	818,400	805,000	896,400	923,500	1,145,900	
—	—	—	720.6%	851.9%	1,043.2%	1,156.4%	
1,095.3%	820.7%	1,120.6%	1,237.2%	—	—	—	
4,307	4,156	3,976	3,954	3,904	3,943	3,833	
14,460	14,321	13,943	13,921	13,382	13,459	13,432	

Group MCEV from the fiscal year ended March 31, 2012.

T&D FINANCIAL LIFE

Years ended March 31	2004	2005	2006	2007
Statement of Operation Data				
Ordinary revenues:				
Income from insurance premiums	¥156,144	¥126,003	¥208,153	¥240,759
Investment income	30,019	13,165	92,291	17,173
Other ordinary income	1,305	11,033	11,926	8,188
Total ordinary revenues	187,469	150,202	312,371	266,120
Ordinary expenses:				
Insurance claims and other payments	87,246	89,181	97,131	99,590
Provision for policy and other reserves	75,288	48,449	192,921	154,582
Investment expenses	500	407	5,202	4,766
Operating expenses	18,345	16,348	20,294	17,921
Other ordinary expenses:				
Amortization of goodwill	6,500	6,500	6,500	—
Total other ordinary expenses	8,756	8,709	9,068	2,787
Total ordinary expenses	190,137	163,096	324,617	279,649
Ordinary profit (loss)	(2,667)	(12,894)	(12,246)	(13,528)
Net extraordinary gains (losses)	192	(652)	(2,698)	(335)
Provision for reserve for policyholder dividends	1,219	1,005	1,233	1,373
Income (loss) before income taxes	(3,693)	(14,552)	(16,178)	(15,237)
Income taxes:				
Current	74	(12,583)	(6,809)	(3,608)
Deferred	—	(7,027)	2,044	(908)
Total income taxes	—	—	—	—
Net income (loss)	¥ (3,768)	¥ 5,058	¥ (11,413)	¥ (10,720)

As of March 31	2004	2005	2006	2007
Balance Sheet Data				
Assets:				
Total assets	¥682,282	¥727,258	¥934,116	¥1,078,447
Liabilities:				
Policy reserves	644,678	684,679	874,877	1,029,160
Total liabilities	661,510	702,181	888,872	1,044,246
Net assets:²				
Total stockholders' equity	—	—	—	35,048
Total valuation and translation adjustment	—	—	—	(846)
Total net assets	¥ 20,772	¥ 25,077	¥ 45,243	¥ 34,201

1. The above figures are calculated based on the prevailing accounting standards of each fiscal year.

2. The Company adopted new accounting standards for the presentation of net assets on the balance sheet from April 1, 2006. Total net assets until March 31, 2006, represents total stockholders' equity.

Years ended March 31	2004	2005	2006	2007
Policy Results:¹				
Policy amount in force	¥3,135,754	¥2,913,030	¥2,665,417	¥2,523,343
OTC sales at financial institutions and other agents, etc.	175,105	245,799	459,514	621,544
New policy amount	444,001	299,732	162,783	179,576
Surrender and lapse amount	518,716	425,146	418,694	242,766
Surrender and lapse rate	15.65%	13.56%	14.37%	9.11%

1. The total of individual insurance and individual annuities

Other Data:

Core profit (loss)	¥ (3,153)	¥ (6,746)	¥ (7,037)	¥ (6,457)
Embedded value (EV)¹	42,900	35,100	69,300	70,400
Solvency margin ratio	—	—	—	—
Former standard based solvency margin ratio	984.8%	721.7%	1,947.7%	1,203.7%

1. EV is shown in terms of hundreds of millions of yen with amounts less than this unit omitted. EV is represented by TEV until March 31, 2006, EEV from the fiscal year ended March 31, 2007, to March 31, 2011, and

¥ millions

2008	2009	2010	2011	2012	2013	2014
¥134,097	¥245,750	¥323,450	¥ 38,619	¥ 66,693	¥196,740	¥239,777
19,829	28,649	92,571	9,559	20,142	78,986	64,948
26,526	10,910	9,999	58,178	32,807	12,928	163,943
180,453	285,309	426,021	106,357	119,642	288,656	468,669
95,581	86,315	81,114	87,610	106,522	118,854	412,275
101	103,541	307,905	269	272	120,876	7,697
77,951	103,190	30,648	15,627	5,176	20,522	13,138
13,605	16,078	17,832	8,559	9,284	13,140	13,101
—	—	—	—	—	—	—
2,880	3,015	2,814	1,354	777	1,479	1,545
190,120	312,141	440,316	113,420	122,033	274,873	447,758
(9,667)	(26,831)	(14,294)	(7,063)	(2,390)	13,783	20,910
(21)	(1,267)	(466)	(1,822)	(718)	(1,441)	(398)
182	(10)	(6)	(3)	(1)	(0)	(2)
(9,871)	(28,088)	(14,754)	(8,882)	(3,108)	12,342	20,514
(578)	16	(3,668)	(2,386)	(1,033)	3,643	3,647
(2,354)	(8,292)	(724)	(170)	1,587	(154)	957
(2,933)	(8,275)	(4,392)	(2,556)	554	3,489	4,604
¥ (6,937)	¥ (19,813)	¥ (10,362)	¥ (6,326)	¥ (3,662)	¥ 8,852	¥ 15,909

¥ millions

2008	2009	2010	2011	2012	2013	2014
¥1,048,962	¥1,171,138	¥1,469,522	¥1,415,005	¥1,399,123	¥1,541,553	¥1,393,592
1,011,530	1,113,098	1,420,536	1,373,739	1,353,062	1,473,800	1,329,961
1,022,040	1,124,087	1,432,110	1,383,610	1,371,313	1,504,475	1,340,493
28,110	48,297	37,934	31,608	27,946	36,798	52,748
(1,188)	(1,246)	(522)	(213)	(136)	279	349
¥ 26,922	¥ 47,051	¥ 37,412	¥ 31,395	¥ 27,809	¥ 37,077	¥ 53,098

¥ millions

2008	2009	2010	2011	2012	2013	2014
¥2,261,006	¥2,120,000	¥2,289,590	¥2,102,732	¥1,988,614	¥2,040,052	¥1,848,515
596,807	674,933	1,014,833	966,624	965,723	1,139,480	1,050,025
93,388	216,270	296,634	21,716	52,206	192,072	244,969
165,582	135,301	114,436	100,176	92,372	96,679	174,654
6.56%	5.98%	5.40%	4.38%	4.39%	4.86%	8.56%
¥(18,183)	¥(40,836)	¥21,462	¥ (4,823)	¥ 4,865	¥30,644	¥ 26,971
56,000	65,700	80,800	73,400	64,800	77,500	92,300
—	—	—	571.1%	553.7%	648.4%	1,051.2%
920.7%	836.8%	646.0%	611.2%	—	—	—

Group MCEV from the fiscal year ended March 31, 2012.

Management's Discussion and Analysis

Operating Results

1. RESULTS OF OPERATIONS

In fiscal 2013, the Japanese economy saw a mild recovery throughout the year, backed by factors such as solid personal consumption amid signs of improvement in the employment and income environment, and recovery in capital investment as corporate earnings improved.

In the life insurance industry, policy amount in force, which had been on a downward trend, remained almost unchanged from the previous year, despite a slight drop in new policy amount compared to the previous year. In the asset management environment, domestic stock prices rose since the start of the fiscal year due to the economic recovery trend, although domestic long-term interest rates remained at a low level.

Under these business conditions, the performance for T&D Holdings, Inc. for the year ended March 2014 was as follows:

Ordinary revenues decreased ¥333.2 billion from the previous fiscal year to ¥2,085.7 billion (down 13.8%), which was the total of income from insurance premiums of ¥1,609.7 billion (down 17.1%), investment income of ¥397.8 billion (down 1.3%), other ordinary income of ¥78.1 billion (up 4.1%) and others.

Ordinary expenses decreased ¥367.7 billion, or 16.2%, from the previous fiscal year to ¥1,899.5 billion, which was the total of insurance claims and other payments of ¥1,520.9 billion (up 13.2%), provision for policy and other reserves of ¥22.5 billion (down 95.6%), investment expenses of ¥86.6 billion (down 26.8%), operating expenses of ¥197.6 billion (down 3.0%) and other ordinary expenses of ¥71.5 billion (down 15.4%).

As a result, ordinary profit increased 22.8% from the previous fiscal year to ¥186.2 billion. Extraordinary gains increased 53.8% to ¥0.4 billion, and extraordinary losses increased 12.2% to ¥31.1 billion. After accounting for extraordinary gains and losses, the provision for reserve for policyholder dividends, and income taxes, net income increased ¥15.2 billion, or 23.9%, from the previous fiscal year to ¥78.9 billion.

Comprehensive income was ¥117.9 billion (down 52.7%), which was the total of income before minority interests of ¥79.1 billion (up 23.8%) and other comprehensive income of ¥38.7 billion (down 79.1%).

The following is an analysis of the main factors affecting the consolidated statement of operation.

(1) Ordinary Revenues

a) Income from Insurance Premiums

Income from insurance premiums totaled ¥1,609.7 billion (down 17.1%), consisting of ¥1,414.0 billion in premiums for individual insurance and individual annuities (down 18.8%), ¥61.2 billion for group insurance (down 3.1%), and ¥129.0 billion for group annuities (down 2.4%), and others.

At Taiyo Life, income from insurance premiums amounted to ¥655.2 billion, a decrease of ¥363.1 billion (35.7%) from fiscal 2012, mainly due to a decrease in premiums from individual annuities.

At Daido Life, income from insurance premiums decreased ¥11.6 billion (1.6%) to ¥712.8 billion, mainly due to a decrease in single premiums from individual insurance.

At T&D Financial Life, income from insurance premiums increased ¥43.0 billion (21.9%) to ¥239.7 billion, due to an increase in premiums from individual insurance.

b) Investment Income

Investment income amounted to ¥397.8 billion (down 1.3%), including ¥287.4 billion in interest, dividends and income from real estate for rent (up 8.2%), ¥59.4 billion in gains on separate accounts, net (down 12.6%), and ¥30.4 billion in gains on sales of securities (down 38.3%).

At Taiyo Life, investment income totaled ¥175.7 billion, down ¥11.8 billion (6.3%) from the previous fiscal year. This mainly reflected a ¥20.2 billion decrease in gains on sales of securities.

At Daido Life, investment income amounted to ¥160.4 billion, up ¥17.8 billion (12.6%) from the previous fiscal year. This was mainly due to an increase of ¥11.8 billion in interest, dividends and income from real estate for rent.

At T&D Financial Life, investment income totaled ¥64.9 billion, down ¥14.0 billion (17.8%) from the previous fiscal year. This principally resulted from a ¥8.7 billion decrease in gains on separate accounts, net.

Investment Income

Year ended March 31	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY
Interest, dividends and income from real estate for rent	¥287.4	¥ 21.7	¥153.9	¥ 8.2	¥127.8	¥11.8	¥ 7.0	¥ 1.5
Gains from monetary trusts, net	—	—	—	—	1.2	1.1	—	—
Gains on investments in trading securities, net	15.3	(0.7)	—	—	15.3	(0.7)	—	—
Gains on sales of securities	30.4	(18.9)	21.0	(20.2)	8.7	3.7	0.7	(2.3)
Gains from derivatives, net	—	—	—	—	—	—	—	(4.2)
Foreign exchange gains, net	—	—	0.4	0.4	—	—	0.1	(0.1)
Reversal of reserve for possible loan losses	1.8	0.9	0.0	0.0	1.8	0.9	—	(0.0)
Other investment income	3.1	0.3	0.2	(0.3)	3.0	0.7	0.0	(0.0)
Gains on separate accounts, net	59.4	(8.5)	0.0	0.0	2.4	0.1	56.9	(8.7)
Total investment income	¥397.8	¥ (5.1)	¥175.7	¥(11.8)	¥160.4	¥17.8	¥64.9	¥(14.0)

(2) Ordinary Expenses

a) Insurance Claims and Other Payments

Insurance claims and other payments totaled ¥1,520.9 billion (up 13.2%), comprising ¥382.9 billion in insurance claims (down 14.8%), ¥460.4 billion in annuity payments (up 93.5%), ¥192.4 billion in insurance benefits (down 11.1%), ¥414.9 billion in surrender payments (up 22.2%), and ¥70.1 billion in other payments (down 29.7%).

At Taiyo Life, insurance claims and other payments amounted to ¥585.4 billion, down ¥69.4 billion (10.6%) from the previous fiscal year. This mainly reflected a decrease of ¥58.8 billion in matured endowment payments for individual insurance.

At Daido Life, insurance claims and other payments totaled ¥522.4 billion, down ¥46.8 billion (8.2%) from the previous fiscal year. This mainly reflected a decrease in payments for group annuities.

At T&D Financial Life, insurance claims and other payments amounted to ¥412.2 billion, up ¥293.4 billion (246.9%) from the previous fiscal year. This principally stemmed from increases of ¥212.3 billion in annuity payments and ¥85.7 billion in surrender payments.

b) Investment Expenses

Investment expenses totaled ¥86.6 billion (down 26.8% year on year), including ¥27.3 billion in losses from derivatives, net (down 9.9%), ¥17.6 billion in losses on sales of securities (down 33.3%), ¥16.0 billion in other investment expenses (down 20.4%), and ¥11.0 billion in losses from monetary trusts, net (down 45.6%).

At Taiyo Life, investment expenses were ¥29.3 billion, down ¥18.6 billion (38.9%) from the previous fiscal year. The main factor was a ¥16.5 billion decrease in losses on sales of securities.

At Daido Life, investment expenses amounted to ¥46.3 billion, down ¥8.4 billion (15.4%) from the previous fiscal year. This principally reflected decreases of ¥5.8 billion in devaluation losses on securities and ¥4.8 billion in losses from derivatives, net.

At T&D Financial Life, investment expenses totaled ¥13.1 billion, down ¥7.3 billion (36.0%) from the previous fiscal year. This was mainly due to a decrease of ¥8.0 billion in losses from monetary trusts, net.

Investment Expenses

Year ended March 31	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY
Interest expenses	¥ 2.0	¥ 0.2	¥ 2.0	¥ 0.2	¥ 0.0	¥(0.0)	¥ 0.0	¥(0.0)
Losses from monetary trusts, net	11.0	(9.2)	—	—	—	—	12.2	(8.0)
Losses on sales of securities	17.6	(8.7)	7.6	(16.5)	10.0	7.9	0.0	(0.1)
Devaluation losses on securities	5.3	(4.4)	1.7	1.3	3.5	(5.8)	—	—
Losses from derivatives, net	27.3	(2.9)	12.6	(3.2)	13.9	(4.8)	0.8	0.8
Foreign exchange losses, net	0.0	(4.7)	—	(0.2)	0.6	(4.1)	—	—
Provision for reserve for possible loan losses	—	—	—	(0.0)	—	—	0.0	0.0
Write-off of loans	2.5	2.5	—	(0.0)	2.5	2.5	—	—
Depreciation of real estate for rent	4.8	(0.1)	2.2	(0.0)	2.5	(0.0)	—	—
Other investment expenses	16.0	(4.1)	3.1	(0.0)	13.1	(3.9)	0.0	(0.0)
Total investment expenses	¥86.6	¥(31.7)	¥29.3	¥(18.6)	¥46.3	¥(8.4)	¥13.1	¥(7.3)

(3) Ordinary Profit

Ordinary profit was ¥186.2 billion (up 22.8%).

Taiyo Life recorded ordinary profit of ¥72.2 billion, up ¥3.4 billion (5.0%). This was principally due to an increase in interest, dividends and income from real estate for rent.

Daido Life recorded ordinary profit of ¥91.3 billion, up ¥23.6 billion (35.0%). This was mainly because of an increase in interest, dividends and income from real estate for rent.

T&D Financial Life recorded ordinary profit of ¥20.9 billion, up ¥7.1 billion (51.7%).

Taiyo Life and Daido Life made additional provisions for policy reserves for certain insurance policies. This had the effect of reducing ordinary profit and income before income taxes by ¥5.9 billion each.

(4) Extraordinary Gains/Losses

Extraordinary gains totaled ¥0.4 billion (up 53.8%), mainly due to ¥0.1 billion in state subsidy (up 241.3%) and ¥0.1 billion in gains on transfer of retirement benefit plan.

Extraordinary losses amounted to ¥31.1 billion (up 12.2%), due to a provision for reserve for price fluctuations of ¥24.1 billion (down 3.1%) and impairment losses of ¥3.9 billion (up 450.8%).

Taiyo Life posted extraordinary gains of ¥0.0 billion (down 97.5%) and extraordinary losses of ¥12.9 billion (down 13.6%).

Daido Life posted extraordinary gains of ¥0.2 billion (up 432.4%) and extraordinary losses of ¥17.6 billion (up 57.3%).

T&D Financial Life posted extraordinary losses of ¥0.3 billion (down 72.3%).

(5) Net Income (Loss)

T&D Holdings recorded net income of ¥78.9 billion (up 23.9%).

Taiyo Life recorded net income of ¥26.3 billion, up ¥0.7 billion (2.9%).

Daido Life recorded net income of ¥35.9 billion, up ¥7.0 billion (24.5%).

T&D Financial Life recorded net income of ¥15.9 billion, up ¥7.0 billion (79.7%).

(Reference)

Premiums Breakdown

Years ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2013	2014	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)
Individual insurance	¥1,175,652	¥1,116,055	¥272,922	(26.1)	¥604,730	(1.1)	¥238,401	22.1
Individual annuities	565,207	298,044	265,388	(49.9)	31,783	(7.0)	872	(4.2)
Group insurance	63,139	61,200	32,781	(1.0)	28,418	(5.4)	—	—
Group annuities	132,235	129,043	82,637	(2.1)	46,236	(2.9)	169	(18.7)
Others	2,364	2,287	1,372	(5.9)	889	1.2	25	(2.7)
Total	¥1,938,599	¥1,606,630	¥655,102	(35.7)	¥712,058	(1.6)	¥239,469	21.9

Note: "Others" is the total of workers' asset-formation savings insurance, workers' asset-formation annuities, medical life insurance, disability income insurance, and reinsurance assumed.

Insurance Claims and Other Payments Breakdown

Insurance Claims

Years ended March 31	Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
	2013	2014	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)
	¥ millions							
Individual insurance	¥404,839	¥338,486	¥173,983	(25.7)	¥149,428	(6.2)	¥15,073	30.3
Individual annuities	1,695	1,440	1,409	(14.6)	30	(31.8)	—	—
Group insurance	34,971	33,014	17,490	(4.8)	15,523	(6.5)	0	(87.7)
Group annuities	7,564	9,152	9,152	21.0	—	—	—	—
Others	171	141	0	(30.2)	123	(22.9)	17	68.1
Total	¥449,242	¥382,235	¥202,037	(22.8)	¥165,106	(6.2)	¥15,091	30.3

Annuity Payments

Years ended March 31	Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
	2013	2014	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)
	¥ millions							
Individual insurance	¥ 65	¥ 63	¥ —	—	¥ 63	(2.8)	¥ —	—
Individual annuities	206,342	429,388	166,805	3.8	33,338	15.7	229,245	—
Group insurance	564	542	416	(2.0)	108	(7.9)	17	(17.6)
Group annuities	30,702	30,215	19,670	0.7	10,313	(5.4)	231	(10.0)
Others	257	258	76	9.5	149	0.4	32	(15.8)
Total	¥237,931	¥460,468	¥186,968	3.5	¥43,972	9.8	¥229,526	—

Insurance Benefits

Years ended March 31	Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
	2013	2014	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)
	¥ millions							
Individual insurance	¥ 67,452	¥ 61,484	¥46,012	(9.5)	¥13,709	(6.3)	¥ 1,762	(10.6)
Individual annuities	31,012	32,044	7,755	16.3	9,268	9.7	15,021	(5.5)
Group insurance	279	283	55	19.0	228	(2.2)	—	—
Group annuities	117,510	98,354	29,584	(8.7)	68,581	(18.7)	188	(76.4)
Others	270	261	178	(17.2)	69	28.9	12	—
Total	¥216,526	¥192,427	¥83,586	(7.3)	¥91,857	(14.7)	¥16,984	(9.0)

Surrender Payments

Years ended March 31	Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
	2013	2014	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)
	¥ millions							
Individual insurance	¥268,229	¥250,013	¥42,413	(8.6)	¥194,562	(5.6)	¥ 13,037	(16.7)
Individual annuities	68,804	157,990	21,388	6.7	10,486	(15.3)	126,115	246.7
Group insurance	62	74	74	97.9	—	—	—	—
Group annuities	1,973	6,473	3,739	—	2,732	626.2	2	(99.8)
Others	507	408	178	(24.0)	225	(6.5)	4	(86.1)
Total	¥339,578	¥414,960	¥67,794	1.2	¥208,007	(5.1)	¥139,159	160.5

Other Payments

Years ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2013	2014	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)	2014	Increase (decrease) YoY (%)
Individual insurance	¥15,440	¥15,298	¥12,191	(2.0)	¥ 2,761	(0.7)	¥ 345	61.6
Individual annuities	46,290	36,147	25,934	(28.8)	449	30.0	9,763	2.5
Group insurance	—	—	—	—	—	—	—	—
Group annuities	33,662	15,642	6,597	5.2	8,740	(60.1)	304	(94.5)
Others	150	177	71	9.3	105	24.6	—	—
Total	¥95,543	¥67,265	¥44,795	(18.9)	¥12,056	(52.0)	¥10,413	(31.6)

Note: "Others" is the total of workers' asset-formation savings insurance, workers' asset-formation annuities, medical life insurance, disability income insurance, and reinsurance assumed.

2. ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION

Total assets as of March 31, 2014, stood at ¥13,804.2 billion (up 1.0% from the previous fiscal year-end).

This mainly comprised securities centered on domestic bonds of ¥10,211.2 billion (up 0.4%), loans of ¥1,878.4 billion (up 0.4%), monetary claims purchased of ¥451.0 billion (up 48.3%), cash and deposits of ¥378.3 billion (down 8.7%), and tangible fixed assets of ¥295.3 billion (up 1.1%).

Total liabilities were ¥12,783.8 billion (up 0.3%), mostly comprising policy reserves of ¥12,226.7 billion (up 0.1%).

Total net assets amounted to ¥1,020.3 billion (up 10.9%). Within total net assets, net unrealized gains on securities were ¥387.7 billion (up 10.3%).

3. ANALYSIS OF CONSOLIDATED CASH FLOWS

Net cash provided by operating activities was ¥159.1 billion, a ¥477.6 billion decrease in cash inflow compared with the previous fiscal year.

Net cash used in investing activities was ¥213.8 billion, a ¥274.9 billion decrease in cash outflow compared with the previous fiscal year.

Net cash provided by financing activities was ¥32.5 billion, an increase of ¥45.9 billion from a cash inflow in the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2014 amounted to ¥827.1 billion, down ¥22.9 billion from the beginning of the fiscal year (¥850.1 billion as of March 31, 2013).

4. ANALYSIS OF SALES RESULTS (NON-CONSOLIDATED)

(1) Sales Results

Sales results for the three companies were as follows:

In fiscal 2013, the total new policy amount for individual insurance and individual annuities (including the net increase from conversions, same hereafter) was ¥6,167.0 billion (down 8.3%).

Meanwhile, the surrender and lapse amount for individual insurance and individual annuities was ¥3,920.7 billion (down 3.1%).

Consequently, the policy amount in force for individual insurance and individual annuities as of March 31, 2014, totaled ¥59,506.8 billion (up 0.5%).

The following is an analysis of the main factors that affected the sales results of the three life insurance companies.

a) Taiyo Life

The new policy amount of individual insurance and individual annuities for fiscal 2013 was ¥2,696.6 billion (down 9.3%).

Meanwhile, the surrender and lapse amount for individual insurance and individual annuities was ¥1,255.4 billion (up 1.6%).

As a result, as of March 31, 2014, the total policy amount in force of individual insurance and individual annuities was ¥21,595.6 billion, up ¥572.4 billion (2.7%) from ¥21,023.2 billion at the previous fiscal year-end.

As of March 31, 2014, the total policy amount in force of group insurance was ¥10,057.2 billion (down 0.3%).

As of March 31, 2014, the total policy amount in force of group annuities (policy reserve, same hereafter) was ¥839.7 billion (up 3.1%).

b) Daido Life

The new policy amount of individual insurance and individual annuities for fiscal 2013 was ¥3,225.3 billion (down 9.3%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥2,490.6 billion (down 8.2%).

As a result, as of March 31, 2014, the total policy amount in force of individual insurance and individual annuities was ¥36,062.6 billion, down ¥95.3 billion (0.3%) from ¥36,157.9 billion at the previous fiscal year-end.

As of March 31, 2014, the total policy amount in force of group insurance was ¥7,755.2 billion (down 5.2%).

As of March 31, 2014, the total policy amount in force of group annuities was ¥822.3 billion (down 4.5%).

c) T&D Financial Life

The new policy amount of individual insurance and individual annuities (T&D Financial Life does not handle policy conversions) for fiscal 2013 was ¥244.9 billion (up 27.5%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥174.6 billion (up 80.7%).

As a result, as of March 31, 2014, the total policy amount in force of individual insurance and individual annuities was ¥1,848.5 billion,

down ¥191.5 billion (9.4%) from ¥2,040.0 billion at the previous fiscal year-end.

As of March 31, 2014, the total policy amount in force of group insurance was ¥0.0 billion (down 22.8%).

As of March 31, 2014, the total policy amount in force of group annuities was ¥3.3 billion (down 13.9%).

Policy Amount in Force Breakdown

Years ended March 31	Three Companies		Taiyo Life	Increase (decrease) YoY (%)	Daido Life	T&D Financial Life		
	2013	2014	2014		2014	2014	Increase (decrease) YoY (%)	
Individual insurance	¥52,850,030	¥53,384,598	¥17,444,147	2.8	¥34,748,546	(0.2)	¥1,191,904	12.7
Individual annuities	6,371,181	6,122,227	4,151,532	2.3	1,314,083	(1.3)	656,611	(33.2)
Subtotal	59,221,212	59,506,826	21,595,680	2.7	36,062,630	(0.3)	1,848,515	(9.4)
Group insurance	18,261,550	17,812,544	10,057,202	(0.3)	7,755,285	(5.2)	56	(22.8)
Group annuities	1,679,378	1,665,475	839,773	3.1	822,362	(4.5)	3,339	(13.9)
Others	9,341	9,233	4,501	1.0	4,285	(2.8)	446	(6.4)

Notes: 1. Figures for individual annuities and group insurance (annuities riders) represent the total of annuity resources at the start of annuities for policies prior to the start of annuity payments and policy reserves for policies after the start of annuity payments. However, figures for individual variable annuities represent the total of policy reserves (excluding a portion of minimum guarantee) and policy reserves for policies after the start of annuity payments.

2. Amounts for group annuities are policy reserve amounts.

3. "Others" is the total of workers' asset-formation savings insurance, workers' asset-formation annuities, medical life insurance, disability income insurance, and reinsurance assumed.

Amounts for workers' asset-formation savings insurance and workers' asset-formation annuities are amounts for policy reserves (amounts for workers' asset-formation annuities (excluding workers' asset-formation funding annuities) are annuity resources at the start of annuities for policies prior to the start of annuity payments), amounts for medical life insurance show daily amounts of hospitalization benefits, and amounts for disability income insurance show monthly amounts of disability income insurance benefits.

New Policy Amount Breakdown

Years ended March 31	Three Companies		Taiyo Life	Increase (decrease) YoY (%)	Daido Life	T&D Financial Life		
	2013	2014	2014		2014	2014	Increase (decrease) YoY (%)	
Individual insurance	¥5,983,474	¥5,812,162	¥2,382,524	3.5	¥3,184,668	(8.7)	¥244,969	27.5
Individual annuities	738,954	354,853	314,146	(53.2)	40,707	(39.6)	—	—
Subtotal	6,722,428	6,167,016	2,696,671	(9.3)	3,225,376	(9.3)	244,969	27.5
Group insurance	17,125	14,770	3,450	(77.5)	11,320	534.3	—	—
Group annuities	58	18	18	(68.7)	—	(100.0)	—	—
Others	3	4	1	(2.0)	0	9.4	3	54.3

Notes: 1. Individual insurance and individual annuities include net increase from conversions.

2. Amounts for individual annuities are annuity resources at the start of annuities.

3. Amounts for group annuities represent the first insurance premiums.

4. "Others" is the total of workers' asset-formation savings insurance, workers' asset-formation annuities, medical life insurance, disability income insurance, and reinsurance assumed.

Amounts for workers' asset-formation savings insurance and workers' asset-formation annuities represent the first insurance premiums (amounts for workers' asset-formation annuities (excluding workers' asset-formation funding annuities) are annuity resources at the start of annuities for policies prior to the start of annuity payments), amounts for medical life insurance show daily amounts of hospitalization benefits, and amounts for disability income insurance show monthly amounts of disability income insurance benefits.

(2) Other Important Matters

As of March 31, 2014, the consolidated solvency margin ratio was 1,115.0% (compared to 943.8% as of March 31, 2013). Furthermore, the value of consolidated adjusted net assets amounted to ¥2,010.1 billion (compared to ¥1,922.8 billion as of March 31, 2013).

Other important matters of the three life insurance companies are as follows:

a) Taiyo Life

In fiscal 2013, core profit (a measure of underlying profitability from core insurance operations on a non-consolidated basis) was ¥72.6 billion (up 8.0%), after allowing for a positive spread of ¥11.7 billion (up 476.3%).

The solvency margin ratio, an index of administrative supervision indicating the management soundness of an insurance company, was 981.3% as of March 31, 2014, compared to 823.4% as of March 31, 2013. The value of adjusted net assets (adjusted net assets are derived by subtracting non-capital adjusted liabilities from adjusted assets at fair market value) amounted to ¥856.2 billion as of March 31, 2014, compared to ¥876.2 billion as of March 31, 2013.

b) Daido Life

In fiscal 2013, core profit was ¥110.6 billion (up 30.8%), after allowing for a positive spread of ¥24.3 billion (up 917.3%).

The solvency margin ratio was 1,156.4% as of March 31, 2014, compared to 1,043.2% as of March 31, 2013. The value of adjusted net assets amounted to ¥992.5 billion as of March 31, 2014, compared to ¥885.2 billion as of March 31, 2013.

c) T&D Financial Life

In fiscal 2013, core profit was ¥26.9 billion (down 12.0%). The negative spread was ¥2.8 billion (up 10.0%).

The solvency margin ratio was 1,051.2% as of March 31, 2014, compared to 648.4% as of March 31, 2013. The value of adjusted net assets amounted to ¥124.9 billion as of March 31, 2014, compared to ¥126.0 billion as of March 31, 2013.

Core Profit

Year ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY
		2014		2014		2014		2014
Ordinary profit A	¥184.4	¥34.2	¥72.2	¥ 3.4	¥ 91.3	¥ 23.6	¥ 20.9	¥ 7.1
Capital gains (losses) B	(22.8)	6.9	(0.4)	(1.1)	(9.0)	7.8	(13.3)	0.2
One-time gains (losses) C	(2.8)	(0.4)	0.0	(0.8)	(10.2)	(10.2)	7.3	10.5
Core profit A–B–C	210.2	27.7	72.6	5.3	110.6	26.0	26.9	(3.6)

Negative Spread

Year ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY
		2014		2014		2014		2014
Positive spread	¥ 33.3	¥ 31.4	¥ 11.7	¥ 9.7	¥ 24.3	¥ 21.9	¥ (2.8)	¥ (0.2)
Yield on investment income included in core profit (%)	—	—	2.55	0.06	2.68	0.43	1.25	(0.06)
Average assumed investment yield (during the fiscal year) (%)	—	—	2.34	(0.11)	2.15	(0.05)	1.68	(0.16)
General account (accrued) policy reserve	11,021.7	455.9	5,769.4	189.8	4,596.2	93.0	656.0	173.0

Notes: 1. Positive spread is calculated according to the following formula.

Positive spread = (Yield on investment income included in core profit – Average assumed investment yield (during the fiscal year)) x General account (accrued) policy reserve

2. "Yield on investment income included in core profit" is investment income included in core profit (investment income (loss) on general account assets), excluding the amount of transfer of yields on the reserve for policyholder dividends divided by the general account (accrued) policy reserve.

3. "Average assumed investment yield (during the fiscal year)" is the assumed investment yield on general account assets divided by the general account (accrued) policy reserve.

4. "General account (accrued) policy reserve" is the general account policy reserve, excluding the contingency reserve, and is an accrued policy reserve calculated as follows in accordance with the Hardy method:

General account (accrued) policy reserve = (Policy reserve at the beginning of the relevant fiscal year + Policy reserve at the end of the relevant fiscal year – Assumed investment yield) x 1/2.

Adjusted Net Assets

Year ended March 31	¥ billions							
	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY	2014	Increase (decrease) YoY
Adjusted net assets	¥2,010.1	¥87.2	¥856.2	¥(20.0)	¥992.5	¥107.2	¥124.9	¥(1.0)

Solvency Margin Ratio

As of March 31	¥ millions							
	Consolidated ¹		Taiyo Life ²		Daido Life ²		T&D Financial Life ²	
	2013	2014	2013	2014	2013	2014	2013	2014
Total solvency margin	¥1,732,264	¥1,924,426	¥775,429	¥846,345	¥819,617	¥928,795	¥96,312	¥99,745
Common stock, etc.	604,545	669,536	214,102	233,106	315,643	337,685	36,798	52,748
Reserve for price fluctuations	125,939	150,040	64,490	74,620	60,971	74,844	477	574
Contingency reserve	181,500	169,355	77,024	68,896	58,858	60,658	45,617	39,800
Catastrophe loss reserve	-	-	-	-	-	-	-	-
Reserve for possible loan losses	3,640	1,681	1,407	1,324	1,925	104	0	1
Net unrealized gains (losses) on available-for-sale securities (before tax) (x 90%, if gains; x 100%, if losses)	448,688	492,617	274,378	268,252	173,795	223,783	363	454
Net unrealized gains (losses) on real estate (x 85%, if gains; x 100%, if losses)	(15,225)	(16,665)	(31,939)	(38,033)	14,131	18,095	-	-
Total amount of unrecognized actuarial gains and losses and unrecognized past service cost (before deduction of income taxes) (Note 3)	-	-	-	-	-	-	-	-
Excess amount of policy reserve based on full-year Zillmer method ³	162,699	170,317	28,267	32,048	121,378	132,103	13,054	6,165
Unallocated portion of reserve for policyholder dividends	16,686	16,863	9,625	9,638	7,061	7,225	-	-
Deferred tax assets	105,324	122,185	39,472	47,891	65,851	74,294	-	-
Subordinated debt	98,600	148,600	98,600	148,600	-	-	-	-
Excess amount of policy reserve based on full-year Zillmer method and subordinated debt that is not included in margin	-	-	-	-	-	-	-	-
Margin of small-amount short-term insurance company ⁴	92	147	-	-	-	-	-	-
Deductible items	(228)	(254)	-	-	-	-	-	-
Total risk⁵	367,054	345,186	188,328	172,482	157,121	160,627	29,704	18,977
Insurance risk	R ₁	48,410	27,774	27,359	24,611	24,244	836	789
General insurance risk	R ₅	-	-	-	-	-	-	-
Catastrophe risk	R ₆	-	-	-	-	-	-	-
Third Sector insurance risk	R ₈	12,497	12,872	8,713	8,884	3,564	219	189
Insurance risk of small-amount short-term insurance company	R ₉	210	299	-	-	-	-	-
Assumed investment yield risk	R ₂	82,004	77,772	47,646	45,493	32,438	1,919	1,872
Minimum guarantee risk ⁶	R ₇	23,826	11,479	16	16	792	23,018	10,687
Investment risk	R ₃	247,686	242,515	132,674	119,011	117,701	3,852	5,810
Business risk	R ₄	8,292	7,855	4,336	4,015	3,582	895	580
Solvency margin ratio⁷	943.8%	1,115.0%	823.4%	981.3%	1,043.2%	1,156.4%	648.4%	1,051.2%

Notes: 1. The above ratio is calculated in accordance with Articles 210.11.3 and 210.11.4 of the Ordinance for Enforcement of the Insurance Business Act as well as Financial Services Agency Public Notice No. 23 in 2011.

2. The above ratio is calculated based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act, as well as Ordinance No. 50 issued by the Ministry of Finance in 1996.

3. From March 31, 2014, the calculated figures include the total amount of the unrecognized actuarial gains and losses and the unrecognized past service cost. (Figures as of March 31, 2013, have been prepared in accordance with the previous accounting standards.)

4. "Margin of small-amount short-term insurance company" represents the catastrophe loss reserve of a small-amount short-term insurance company.

5. Total risk = $\{[(R_1^2 + R_5^2)^{1/2} + R_6 + R_9]^2 + (R_2 + R_3 + R_7)^2\}^{1/2} + R_4 + R_8$

6. "Minimum guarantee risk" was calculated using the standard method regulated by the Financial Services Agency.

7. Solvency margin ratio = $\frac{\text{Total solvency margin}}{\text{Total risk} \times 1/2} \times 100$

Business Risks and Other Risks

Below are risks related to the business of T&D Holdings and the T&D Life Group and other risks that could significantly affect the investment decisions of investors.

Forward-looking statements in this section reflect judgments as of June 26, 2014.

Further, in this section “the three life insurance companies” refers to the life insurance companies for which T&D Holdings is the holding company, while “directly owned subsidiaries” refers to five companies: the three life insurance companies and T&D Asset Management Co., Ltd., and Pet & Family Small-amount Short-term Insurance Company, both of which T&D Holdings owns directly.

1. RISKS AS A HOLDING COMPANY

(1) Risk Related to Reliance on the Performance of the Life Insurance Business

Because the T&D Life Group is focused on the life insurance business, it is heavily reliant on the earnings of its three life insurance companies. For that reason, if the business circumstances of any of the three life insurance companies change, and/or the roles or positions of any of the three life insurance companies change, the T&D Life Group’s earnings and financial condition could be adversely affected.

(2) Risk Related to Dividend Income

As the holding company, T&D Holdings derives the majority of its income from dividends paid by its three life insurance companies.

Under certain circumstances, the amount of dividends that can be paid by the three life insurance companies may be limited by the Insurance Business Act and/or the Japanese Companies Act. Also, if any of the three life insurance companies fails to record sufficient profits, they may not be in a position to pay dividends to T&D Holdings, and the Company may be unable to pay dividends.

(3) Risk Related to Expanding Scope of Operations

The T&D Life Group is considering expanding the scope of its operations outside of the life insurance business by leveraging the advantages afforded by its holding company structure within legal and regulatory boundaries. The T&D Life Group has little or no experience in such operational expansion. If expansion does not go well or if the operations concerned are unprofitable or suffer from low profitability, the T&D Life Group’s earnings and financial condition could be adversely affected.

(4) Risk Related to Regulatory Changes

T&D Holdings and the T&D Life Group as a whole are subject to regulation under the Insurance Business Act and oversight by the Financial Services Agency (FSA). Furthermore, T&D Holdings and the T&D Life Group conduct operations under restrictions of other regulations, including the impact of laws, regulations, business customs, interpretation, and public finances. For this reason, future changes in any of the associated regulations, and/or circumstances resulting from such changes, could adversely affect the T&D Life Group’s earnings and financial condition.

2. RISK RELATED TO BUSINESS

(1) Type of Risk Related to Directly Owned Subsidiaries

The following are the main risks related to directly owned subsidiaries. The materialization of these risks could affect the business results or financial position of the Company and the T&D Life Group adversely.

Type of Risk	Risk Characteristics and Countermeasures
Underwriting Risk	This is the risk of incurring losses due to disparities between economic trends or trends in mortality and morbidity rates and forecasts at the time of setting premiums. This includes the risk of a rapid increase in insurance claims, insurance benefits, and other payments due to an outbreak of a new strain of influenza.
Investment Risk	The T&D Life Group classifies and manages investment risk according to three categories: market risk, credit risk, and real estate investment risk.
Market Risk	This is the risk of incurring losses due to changes in the value of owned assets and liabilities (including off-balance sheet assets) as a result of changes in interest rates, securities prices, foreign exchange rates, and various other factors.
Credit Risk	This is the risk of incurring losses due to a decline in the price or the complete eradication of the value of assets (including off-balance sheet assets) as a result of a deterioration of the financial positions of obligors.
Real Estate Investment Risk	This is the risk of incurring losses from a decline in real estate-related revenues due to changes in lease fees or other factors, or from a decline in the value of real estate itself due to changes in market conditions.
Liquidity Risk	The T&D Life Group classifies liquidity risk into two categories: cash flow risk and market liquidity risk.
Cash Flow Risk	This is the risk of incurring losses when an outflow of funds resulting from a major disaster, a deterioration in profitability, or other factors cause a deterioration in cash flows that forces the Company to sell assets at prices significantly lower than normal in order to secure funds.
Market Liquidity Risk	This is the risk of incurring losses due to an inability to trade in the market or being forced to trade at prices significantly lower than normal because of market confusion or other factors.
Operational Risk	Operational risk is managed by category of risk, namely administrative risk, system risk, legal risk, labor/personnel risk and catastrophe risk.
Administrative Risk	This is the risk of incurring losses due to an officer or employee neglecting to perform operations correctly and/or causing accidents, performing illegal acts, or leaking information.
System Risk	This is the risk of incurring losses due to computer system downtime, malfunctions, or other system flaws or the improper use of computers.
Legal Risk	This is the risk of incurring losses as a result of neglecting to comply with laws and statutory regulations.
Labor/Personnel Risk	This is the risk of suffering losses due to such labor and personnel problems as those related to hiring, labor management, personnel outflows, and human rights.
Catastrophe Risk	This is the risk of incurring losses due to a lack of preventative measures in relation to large-scale disasters or not having emergency measures in place when a large-scale disaster occurs.
Reputational Risk	This is the risk of incurring losses due to the spread of negative information about the creditworthiness or negative evaluations of the Group or the life insurance industry among policyholders, investors, or the public at large through the media or the Internet that affects the earnings of Group companies adversely or causes a decline in share price.
Affiliate and Other Entity Risk	This is the risk of incurring losses due to deterioration of profitability, materialization of various risks, or other adverse factors at subsidiaries, affiliates and business investees of directly owned subsidiaries.

(2) Risks Related to the Life Insurance Business

1) Life Insurance Business

The T&D Life Group's main business is life insurance. The three life insurance companies underwrite life insurance based on life insurance business licenses. Risk particular to the three life insurance companies is as shown below. The materialization of these risks could affect the business results or financial position of the Company and the T&D Life Group adversely.

(1) Principal Laws and Statutory Regulations Related to the Life Insurance Business

Life insurance companies are subject to regulation under the Insurance Business Act and oversight by the FSA. The Insurance Business Act functions as a supervisory law for insurance companies and as an

insurance companies act that stipulates the organization and operations of insurance companies.

a. Licenses

Authorities use a license system for life insurance business and nonlife insurance business. The three life insurance companies have received life insurance business licenses. These enable the underwriting of conventional life insurance providing for fixed payments related to the survival or death of a person as well as medical insurance, accident insurance, and nursing care insurance, known as third sector insurance, and reinsurance of such life insurance and third sector insurance.

Further, authorities can revoke these licenses if, based on the regulations of the Insurance Business Act, the prime minister deems the licensee to have committed an infringement in relation to

particularly significant procedures or basic documents (statements of business procedures, etc.) that are stipulated by laws or statutory regulations or to have acted in a way that damages the public interest, or if the prime minister deems that the insurance company's financial situation has deteriorated markedly and that continuing the insurance business is inappropriate from the viewpoint of protecting policyholders. In addition, based on the stipulations of the Insurance Business Act, if authorities revoke the license of an insurance company, the company must be liquidated.

b. Restrictions on Business Scope

The regulations of the Insurance Business Act prohibit life insurance companies from conducting business in fields other than those that the Insurance Business Act and certain other laws and statutory regulations stipulate. Taking into account the highly public nature of the insurance business, this prohibition seeks to prevent deteriorations in

the assets of life insurance companies due to failures in businesses other than the insurance business, prevent the allocation of premium income to compensate for deficits of other businesses, and ensure insurance companies dedicate their efforts to the insurance business and thereby realize efficient, sound business management.

Further, the business scope of subsidiaries and other entities of insurance companies is subject to restrictions for the same reasons as those stated above. Also, revision of statutory regulations or changes in regulatory agencies' interpretation or application of them could affect the business results or financial position of the Company and the T&D Life Group adversely.

c. Regulation and Oversight under the Insurance Business Act

To enable the regulatory agency to remain apprised of the situation of insurance companies and implement supervisory measures, they are subject to the regulations below under the Insurance Business Act.

Details of the main statutory regulations based on the Insurance Business Act relating to insurance companies' insurance underwriting and asset management are as follows.

Regulation	Details
Approval and notification of insurance products and premiums*	The regulations of the Insurance Business Act stipulate that in principle insurance products and their premiums require approval of the commissioner of the FSA. However, the Ordinance for Enforcement of the Insurance Business Act stipulates certain products and premiums that only require notification because the risk of insufficient protection of the policyholders is minimal.
Asset management regulation	The Insurance Business Act requires the methods of investment of money and other assets received as premiums to conform to the stipulations of the Ordinance for Enforcement of the Insurance Business Act.

* Premiums: Insurance premiums as a percentage of the basic policy amount

Also, with respect to insurance companies the commissioner of the FSA has general supervisory rights, including the right to receive reports and documents and conduct on-site inspections. If the regulatory agency took such supervisory measures with regard to the three life insurance companies or statutory regulations were revised or there were changes in the regulatory agency's interpretation or application of them, it could affect the business results or financial position of the Company and the T&D Life Group adversely.

d. Solvency Margin Ratio

The term solvency margin indicates a surplus financial payment capability that covers exposure to unforeseeable risk, such as major earthquakes or stock market crashes. Life insurance companies have policy reserves to ensure the payment of future insurance claims within the scope of regular, foreseeable risks; however, the solvency margin protects against risk that exceeds normal circumstances. The solvency margin ratio is calculated as the total amount of solvency margin (equity, reserve for price fluctuations, contingency reserve, reserve for possible loan losses, and others) divided by 1/2 of the quantified measure of the

total amount of unforeseeable risk borne (total amount of risk).

Supervisory authorities take prompt corrective action designed to quickly restore management soundness when the solvency margin ratio falls below 200%.

(For details on the solvency margin ratio, please refer to "4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters" on pages 72-73.)

e. Adjusted Net Assets

Adjusted net assets is an amount calculated based on the assets on the balance sheet (securities and real estate are evaluated using a fixed mark-to-market rate), less an amount calculated based on the liabilities (liabilities less the reserve for price fluctuations and contingency reserve). This net assets figure is used for determining whether there are excess liabilities regarding the system of prompt corrective action by the supervisory authorities. If adjusted net assets is negative or expected to be negative, the supervisory authorities could order a complete or partial suspension of business operations.

(For details on adjusted net assets, please refer to "4. Analysis of

Sales Results (Non-consolidated), (2) Other Important Matters” on pages 72–73.)

(2) Asset Management Regulations for Life Insurance Companies

a. Characteristics of Life Insurance Companies’ Liabilities and Capital

For life insurance companies, liabilities account for a much larger portion of capital than does equity capital, which comprises capital, retained earnings, and others. Liabilities mainly comprise total policy reserves, which include the policy reserve, the reserve for policyholder dividends, and the reserve for outstanding claims. The policy reserve accounts for the majority of total policy reserves. Such life insurance funds have four characteristics: (1) they are long-term, (2) they are policyholders’ financial assets in trust, (3) they seek profitability, and (4) they have a highly public nature.

Therefore, the management of life insurance companies’ capital should be safe, profitable, liquid, and public.

b. Regulation for Management of Life Insurance Funds

A change in the regulation for the management of life insurance funds mentioned below or a change in the regulatory agency’s interpretation or application of regulations could adversely affect the business results or financial position of the Company and the T&D Life Group.

i) The necessity and characteristics of management regulation

Authorities regulate insurance companies’ management of life insurance funds in order to ensure the ability of insurance companies to pay insurance claims and protect the interests of policyholders.

The general account controls financial assets that are derived from premiums received from policyholders based on their policies. In each of these policies, insurance companies guarantee policyholders the payment of specific assumed investment yields. The general account controls financial assets other than those controlled in the separate account mentioned below.

Basic calculation rates

Assumed mortality rate

Assumed investment yield

Assumed operating expense rate

ii) The asset management of separate accounts

The purpose of separate accounts is to return investment gains directly to policyholders. Insurance companies manage these accounts separately from their other financial assets in general accounts.

With the separate accounts, to ensure that insurance companies can make payments to policyholders as needed, the assets that insurance companies manage in separate accounts need to be convertible. Due to this characteristic, insurance companies generally invest in listed securities and other assets with daily price quotations.

(3) Income and Expenditure Structure of the Life Insurance Business

a. Characteristics of Life Insurance Accounting

Life insurance companies’ income mainly comprises premiums, income from interest and dividends, and gains on sales of securities. Meanwhile, their expenditure mainly comprises the payment of insurance claims, annuities, and insurance benefits as well as losses on sales of securities, investment expenses, and operating expenses that include expenses for policy maintenance and solicitation.

i) Premiums system

Insurance companies set premiums through calculations based on the assumed mortality rate, investment yield, and operating expense rate as well as consideration of the insurance type, amount, and term in addition to the age and gender of the insured individual.

Normally, insurance companies set the basic calculation rates that they use for projections at conservative levels. As a result, differences in assumed and actual rates often generate income. However, investment yields of certain products may fall below assumed investment yields, a situation that is called negative spread. In addition, life insurance companies can incur losses related to death protection if mortality rates exceed assumed mortality rates due to a major disaster. Also, life insurance companies can incur losses if operating expense rates exceed assumed operating expense rates due to inflation.

Details

Based on statistics on past trends, life insurance companies project the number of deaths by gender and age and calculate the premiums required to pay future insurance claims. The mortality rate that companies use for this calculation is called the assumed mortality rate.

Insurance companies project a certain investment yield from asset management and discount this from premiums. The rate of this discount is called the assumed investment yield.

Insurance companies project expenses required for business operations and include this in premiums. Rates set in accordance with the characteristics of each type of expense are called the assumed operating expense rate.

ii) Policy reserve

Life insurance companies have policy reserves to ensure the reliable payment of future insurance claims. The revenue sources of policy

reserves are insurance premiums and investment income, and they account for the largest portion of the liabilities of life insurance companies.

Further, insurance companies recognize provisions for the policy

reserve, net of reversals, in the statement of operations. In other words, if provisions exceed reversals, insurance companies recognize the difference as a provision for the policy reserve in ordinary expenses. If reversals exceed provisions, insurance companies recognize the difference as a reversal of the policy reserve in ordinary revenues.

iii) Policyholder dividends system

In life insurance, participating policies pay policyholder dividends and non-participating policies do not. For participating policies, if a surplus arises due to a difference between actual rates and the assumed mortality rate, investment yield, and operating expense rate that insurance companies use as the basis of calculation of premiums, insurance companies return a portion of this surplus to policyholders as policyholder dividends. Meanwhile, although non-participating policies do not pay policyholder dividends, policyholders can normally receive the same protection as that of an equivalent participating policy at a lower premium.

The Insurance Business Act stipulates that life insurance companies must pay policyholder dividends in a “fair and balanced” manner. The three life insurance companies have established policies for policyholder dividends in their Articles of Incorporation based on the Insurance Business Act.

b. Income and Losses of Life Insurance Companies

Generally, companies classify their statement of income into operating income or loss and nonoperating income or loss. However, life insurance companies classify their statement of income (the statement of operations) into insurance-related income or loss (income from insurance premiums, insurance claims, and other payments and provisions for policy reserve and other reserves), investment gains or losses (investment income and investment expenses), and other gains or losses (other ordinary income, other ordinary expenses, and operating expenses).

The major items in the ordinary revenues of life insurance companies are income from insurance premiums and investment income, including interest, dividends and income from real estate for rent, and gains on sales of securities. The main items in ordinary expenses include insurance claims, surrender payments, and other payments, provision for policy reserve and other reserves, investment expenses, including losses on sales of securities, and operating expenses. Ordinary profit is ordinary revenues net of ordinary expenses. As a result, as well as the balance of insurance premiums and claims, the ordinary profit of life insurance companies is very susceptible to fluctuations in the investment environment, such as stock prices.

c. A Breakdown of Ordinary Profit (Core Profit)

Changes in the investment environment, including fluctuations in conditions in stock and bond markets as well as foreign exchange

rates, result in gains or losses on sales of securities, devaluation losses or valuation gains on securities, and foreign exchange gains or losses, thereby significantly affecting the ordinary profits or losses of life insurance companies. For this reason, and based on disclosure standards that the Life Insurance Association of Japan established as part of efforts to promote better disclosure—life insurance companies have been disclosing core profit or loss as an indicator of the periodic income or loss of insurance business since fiscal 2000. Core profit or loss is ordinary profit or loss not including capital gains or losses, such as gains or losses on sales of securities and devaluation losses or valuation gains on securities, and one-time gains or losses, such as reversal of contingency reserve, provision for contingency reserve, write-off of loans, and others. Insurance companies disclose core profit or loss for reference only. Core profit is not an item in the income statement (the statement of operations). Deteriorations in core profit, capital gains or losses, and one-time gains or losses due to fluctuations in the financial market could adversely affect the business results or financial position of the T&D Life Group.

(For details on core profit or loss, please refer to “4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters” on pages 72–73.)

d. Negative Spread

Life insurance companies calculate the premiums policyholders pay by discounting the profits expected from investments using a rate called the assumed investment yield. (For an explanation of the premiums system, please see “a. Characteristics of Life Insurance Accounting, i) Premiums system” above.) Therefore, insurance companies need to secure investment income equivalent to the amount they discount each year (assumed interest). However, life insurance companies may be unable to generate enough investment income to cover assumed interest. In other words, they have negative spreads. The incurrence of negative spreads or an increase in negative spreads in the future, due to a change in financial conditions, could affect the business results or financial position of the T&D Life Group adversely.

(For details on the status of yield on investment income, etc. and average assumed investment yield of the T&D Life Group, please refer to “4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters” on pages 72–73.)

(4) Contributions to the Life Insurance Policyholders Protection Corporation of Japan (PPC)

The PPC of Japan was established in December 1998 based on the Insurance Business Act to increase policyholder protection in the event of a life insurance company filing for bankruptcy. All life insurance companies conducting business in Japan, including the Japanese

branches of foreign insurance companies, are members. As a system to mutually assist policyholders, etc., in the event that a life insurer files for bankruptcy, the PPC provides financial assistance for transferring life insurance policies of a failed insurer, manages the succeeding life insurance company, underwrites life insurance policies, offers financial assistance connected with payments of compensation insurance, and purchases insurance claims, among other activities. The financial assistance provided by the PPC to a failed insurer is furnished by contributions from members. Through March 31, 2017, the government may provide the PPC with additional funds if a life insurance company bankruptcy occurs and if the funds needed to cover policyholders are in excess of the funds contributed by members. Members make annual contributions in accordance with standards specified in the PPC's Articles of Incorporation for determining the cost of covering bankruptcies to date.

The T&D Life Group will continue making these contributions for the time being. However, if the three life insurance companies' shares of the total amounts of premiums and policy reserves in the life insurance industry change, their contributions to the PPC would change accordingly. As mentioned above, the T&D Life Group's contributions to the PPC could rise if a life insurance company files for bankruptcy and requires financial support from the PPC.

(5) Deferred Tax Assets

Based on generally accepted accounting principles and practices in Japan, for each taxable entity the T&D Life Group recognizes the amounts that are expected to mitigate future tax burden as deferred tax assets, net of deferred tax liabilities, in the balance sheet. Because the recognition of deferred tax assets is based on various assumptions, including estimates of future taxable income, actual taxable income could differ from these assumptions. Further, a change in accounting standards or a change in the T&D Life Group's estimate of future taxable income could lead the Group to conclude that the collection of all or some of its deferred tax assets was problematic. In such a case, the T&D Life Group could reduce the amount of deferred tax assets that it recognizes. In the event that the statutory effective tax rate is reduced due to an amendment of the corporate tax code, the amount of deferred tax assets that the Group recognizes will be reduced. This could adversely affect the business results or financial position of the Group.

2) Competition

(1) Life Insurance Companies

a. Competing Life Insurance Companies

As of March 31, 2014, including the T&D Life Group's three life insurance companies, there were 43 life insurance companies in Japan which have received a Life Insurance Business License or a Foreign Life Insurance Business License. All of these insurance companies are

in a competitive relationship with the T&D Life Group with respect to the solicitation and maintenance of life insurance policies. Intensification of this competition could adversely affect the business results or financial position of the T&D Life Group.

b. Trends in the Life Insurance Industry

The new policy amount and the policy amount in force could decline in the future due to an aging society with low birthrates, a shrinking workforce or other factors. Under these conditions, new insurance companies with new channels have entered the market, there have been industry realignments and strategic alliances in various forms, and it is possible that the domestic market will undergo further realignment. Moreover, as seen from the full deregulation of OTC sales at banks, the life insurance industry is expected to see further liberalization and deregulation. As a result, there is expected to be further escalation in competition on product prices and services in the life insurance industry, which could adversely affect the T&D Life Group's earnings and financial condition.

(2) Competitive Relationships in Life Insurance Businesses

The Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives, and the Japanese Consumers' Cooperative Union offer life insurance products with functions analogous to those provided by private-sector life insurers. Accordingly, the three life insurance companies stand in a competitive relationship with these entities in the life insurance business.

In fields involving financial functions, the Group has competitive relationships mainly with trust banks in the management of corporate pension assets under contract, and investment advisory companies in the management of other assets.

In businesses where there is a competitive relationship with other companies, any decline in the competitiveness of the three life insurance companies could adversely affect the T&D Life Group's earnings and financial condition.

(3) T&D Life Group's Sales Strategy

The T&D Life Group is the holding company for three life insurance companies: Taiyo Life, which focuses on the household market; Daido Life, which has strength in the SME market; and T&D Financial Life, which has strength in the life insurance market based on OTC sales at financial institutions and other agents. Each company has different business strategies, target markets, and products.

As a result, each of the three life insurance companies faces particular risks, which are detailed below. Materialization of these risks could adversely affect the business results or financial position of the T&D Life Group.

a. Taiyo Life

i) Market

Taiyo Life's mainstay life insurance for the individuals market breaks down into two large categories: the household market, which centers on sales activities through home visits, and the worksite market, which centers on sales activities through worksite visits. Consequently, most of Taiyo Life's policyholders are housewives. Women account for more than 70% of Taiyo Life's new policyholders for investment individual insurance and individual annuity policies.

Removal of the regulation of member policies* would enable insurance companies' insurance agency subsidiaries to sell life insurance products to their executives and personnel. As a result, the worksite market would see a shift from sales representatives sales channels to sales agency sales channels. This could reduce the number of sales targets for the sales representatives of other life insurance companies that mainly sell in the worksite market. In response, such companies could enter and focus on the household market, which would result in fiercer competition in the household market. Such developments could adversely affect the business results or financial position of Taiyo Life.

Further, law revisions that strengthened the regulation of door-to-door sales could undermine the efficiency of a sales system based on door-to-door sales, which could adversely affect the business results or financial position of the T&D Life Group.

* Regulation of member policies: The Insurance Business Act and the Ordinance for Enforcement of the Insurance Business Act prohibits life insurance sales agencies or insurance brokers from selling life insurance products to their own executives or personnel, referred to as "members," or those of affiliated companies, with the exception of certain non-life insurance products and Third Sector products.

ii) Sales system

Taiyo Life sells life insurance products mainly through sales representatives. As of March 31, 2014, the company had 8,603 sales representatives. Sales representatives accounted for approximately 94% of Taiyo Life's new policy amount, individual insurance and individual annuities, for fiscal 2013. A significant reduction in the number of sales representatives would lower the sales capabilities of the company, which could affect its business results or financial position adversely.

In the future, there may be significant changes in the composition of sales channels in the life insurance industry as a whole due to growth in bank OTC sales or insurance shop agent sales or other factors. Taiyo Life already sells products in the sales agent channel, including the bank OTC sales channel. However, a slow response from Taiyo Life to further changes or a dramatic decline in the superiority of the sales representatives channel in insurance sales compared to other channels could affect the company's business results or financial position adversely.

iii) Increase in sales of comprehensive life insurance

In the household market, Taiyo Life is working through sales representatives to increase sales of comprehensive life insurance, which centers on death protection, medical care insurance, and nursing care insurance.

Given that Taiyo Life's main customer base, women, middle-aged and elderly people, and seniors, are likely to continue accounting for a large proportion of the life insurance for individuals household market—which is an increasingly aged customer group—the company should be able to maintain its competitive advantage in this market.

However, if contrary to expectations the company is unable to maintain a competitive advantage in the life insurance for individuals household market, or experiences a sales slump because competitive superiority is less than expected, it could adversely affect the company's business results or financial position.

b. Daido Life

i) Target market

Daido Life conducts sales activities focused on the SME market. Breaking down the new policy amount for fiscal 2013¹, policies from the corporate market² accounted for 94.4% and policies from the household market accounted for 5.6%. SMEs are particularly susceptible to changes in the business climate. A decrease in new policies or an increase in surrender rates due to a deterioration in business results or an increase in bankruptcies among SMEs, which are the company's mainstay customers, could adversely affect the company's business results or financial position.

Notes: 1. The amount calculated by adding the insured amount of non-participating insurance for serious diseases to the new policy amounts of individual insurance, individual annuities, and group insurance policies.

2. The aggregate of individual insurance, individual annuities, non-participating insurance for serious illnesses marketed through tie-up groups, and group insurance policies.

ii) Sales of partner-specific products

Since 1971, Daido Life has underwritten the comprehensive insurance plan, Ohgata Hosho Plan of the National Federation of Corporate Taxpayers Associations (NFCTA, known as *Hojinka*), and the Tax Payment Associations (TPA, known as *Nouzei-kyokai*). Also, in 1976 Daido Life began underwriting TKC Corporate Defense Plan implemented by the TKC National Federation. Through these organizations, Daido Life sells insurance products to member companies or clients implemented by TKC members. Sales through these organizations underpin Daido Life's sales initiatives. The entry of competitors through tie-ups with the abovementioned organizations or these organizations' halting of recommendations of Daido Life's products could adversely affect the company's business results or financial position.

iii) Sales system

Daido Life sells life insurance products through two main channels—in-house sales representatives and sales agents. The sales agents channel mainly comprises tax accountants and Property & Casualty (P&C) insurance agencies.

- In-house sales representatives channel

Daido Life's in-house sales representatives market products mainly to companies that are members of NFCTA and TPA. As of March 31, 2014, Daido Life had 3,833 in-house sales representatives. Daido Life hires high-quality personnel while developing sales representatives who possess highly specialized knowledge and sales techniques. However, a significant decrease in the number of sales representatives or productivity per sales representative could adversely affect the company's business results or financial position.

- Agency channel

As of March 31, 2014, Daido Life had 13,432 agents. Daido Life continually improves the competitiveness of its products and enhances its support capabilities, including upgrading the skills of staff who support agents. However, agencies that meet certain conditions handle the products of multiple life insurance companies. The handling of even more life insurance companies by such agencies, and a decrease in the handling of Daido Life's products among agencies, could adversely affect the company's business results or financial position.

iv) Products

Daido Life's main product is individual term life insurance. As of March 31, 2014, individual term life insurance accounted for 88.3% of Daido Life's policy amount in force*.

As of March 31, 2013, Daido Life claimed the largest share of Japan's market for individual term life insurance in relation to policy amount in force at 16.1% (based on the Life Insurance Association of Japan's *Summary of Life Insurance Business in Japan (Fiscal 2012)*, compiled from the data of 43 life insurance companies as of March 31, 2013).

In the individual term life insurance business area, Daido Life has taken steps to further strengthen the competitiveness of its term life insurance products in relation to pricing and product appeal. However, intensification of competition with competitors or a decline in demand for individual term life insurance could adversely affect the company's business results or financial position.

Further, under the current income tax laws, corporations or other business proprietors are allowed to deduct as a business expense all or a portion of the cost of insurance premiums of individual term life

insurance. Abolition or reduction of this treatment of insurance premiums due to a change in Japanese tax law or regulations could lower the company's new policies or heighten the company's surrender rates, which could adversely affect the company's business results or financial position.

* The amount calculated by adding the insured amount of non-participating insurance for serious diseases to the policy amount in force of individual insurance and individual annuities.

c. T&D Financial Life

i) Target market

T&D Financial Life sells life insurance products through OTC sales at financial institutions and insurance shop agents.

If changes in the investment environment caused financial institution agents to focus more on the sale of products other than life insurance products, the OTC sales in the financial institutions market could shrink, which could adversely affect the company's business results or financial position.

ii) Sales system

T&D Financial Life mainly sells its products through OTC sales at financial institutions and insurance shop agents. As of March 31, 2014, the company had concluded agency agreements with 119 financial institutions.

In the selling of life insurance products through OTC sales in financial institutions' business areas and insurance shop agents, a decrease in the number of agencies carrying T&D Financial Life's products due to intensification of competition with other companies in the same industry, over pricing of services or delay in the company's introduction of new products to financial institution agents and insurance shop agents could adversely affect the company's business results or financial position.

iii) Products

T&D Financial Life's main products are single premium whole life insurance and income protection insurance with level premiums. In light of consumer demand, the company develops products that have insurance benefits differentiated from those that competitors offer. Fiercer competition with other companies, or a decline in demand for single premium whole life insurance and income protection insurance with level premiums could result in a slump in sales and a significant decrease in the policy amount in force. Alternatively, fluctuations in fair value could produce a significant deterioration in minimum guarantee costs of individual variable annuities outstanding. Such contingencies could adversely affect the company's business results or financial position.

3) Investment Risk

(1) Investment Risk of General Accounts and Separate Accounts

Life insurance companies have two different accounts: general and separate. Life insurance companies use general accounts to make guaranteed payments to policyholders based on an assumed investment yield. Therefore, life insurance companies bear the risk of the actual investment yield falling below the assumed investment yield. In separate accounts, meanwhile, because life insurance companies reflect investment results directly in reserves that belong to policyholders, policyholders bear the investment risk.

(2) Overview of Market Risk

a. Stock-Related Market Risk (stock price fluctuation risk)

A decrease in unrealized gains or incurring unrealized losses due to a fall in the fair value of stocks in the Group's general accounts could adversely affect the T&D Life Group's business results or financial position.

b. Domestic Bond-Related Market Risk (interest rate fluctuation risk)

A decrease in unrealized gains or incurring unrealized losses due to higher interest rates or a fall in the fair value of yen-denominated bonds in the Group's general accounts could adversely affect the T&D Life Group's business results or financial position.

c. Market Risk Related to Foreign Currency-Denominated Marketable Securities (currency exchange rate fluctuation risk)

A decrease in unrealized gains or incurring unrealized losses on marketable securities in the Group's general accounts due to higher interest rates or a fall in the fair value of marketable securities could adversely affect the T&D Life Group's business results or financial position. Further, for information on the fair value of securities (securities with fair value that are not trading securities) in general accounts, please see page 120, Notes to Consolidated Financial Statements, Note 21, Investments in Securities.

(3) Overview of Credit Exposure

In regard to loans, bonds and suchlike, incurring losses due to a decline in the price or the complete eradication of the value of assets as a result of a deterioration of the financial positions of obligors could adversely affect the T&D Life Group's business results or financial position. Further, for information on loans to bankrupt companies, past due loans, loans overdue for three months or more, and restructured loans, please see page 107, Notes to Consolidated Financial Statements, Note 4, Loans.

(4) Overview of Real Estate Investment Risk

In relation to real estate it owns, the T&D Life Group could incur losses due to a decline in revenue derived from real estate held for

investment purposes because of a change in lease fees or other factors. Alternatively, the Group could incur losses due to a decline in the value of real estate because of a change in market conditions. Such contingencies could adversely affect the T&D Life Group's business results or financial position. Further, for information on the fair value of real estate held for investment purposes, please see page 141, Notes to Consolidated Financial Statements, Note 27, Real Estate for Rent.

4) Ratings

Rating agencies rate the ability of life insurance companies to pay insurance claims. A lowering of the ratings of the Group's ability to pay insurance claims due to a deterioration of the three life insurance companies' solvency margins, earnings capabilities, or the quality of their assets—or a public announcement that an agency was considering lowering the Group's rating—could lead to a decrease in new policies or a higher surrender rate. Such a contingency could adversely affect the T&D Life Group's business results or financial position.

(3) Risk Related to Other Directly Owned Subsidiaries

1) Asset Management Business Risk

The Company, through directly owned subsidiary T&D Asset Management Co., Ltd., provides asset management services to such clients as pension funds, institutional investors, and individual investors in Japan and overseas, mainly through its secondary financial instruments business, its investment management business, and its investment advice and agency business. The trustee fees and investment management entrustment fees that it earns as consideration for these services are based on the balance of customers' assets under management. Therefore, a decrease in the balance of assets under management due to a fluctuation in market prices or an increase in surrender rates could adversely affect the T&D Life Group's business results or financial position.

2) Risk Related to the Small-Amount Short-Term Insurance Businesses

The Company offers pet insurance through directly owned subsidiary Pet & Family Small-amount Short-term Insurance Company. This subsidiary's target market has growth potential. However, in order to expand or support the subsidiary's business, the Company could have to make additional investments in the subsidiary or deploy other management assets. A deterioration in the subsidiary's earnings due to fiercer competition with other companies, a decrease in demand for pet insurance, or an increase in loss ratios resulting from an outbreak of infectious disease among pets could adversely affect the T&D Life Group's business results or financial position.

(4) Other Risk

1) System Risk

Based on an awareness that the information and information systems of directly owned subsidiaries are important assets for the execution of business management strategies and business operations, the Board of Directors has prepared regulations for the management of system risk and is strengthening management of this risk. These initiatives seek to protect systems from various risks, including the risk of loss arising from computer system downtime, malfunctions, or other system flaws and the risk of loss arising from the improper use of computers.

In particular, the three life insurance companies use computer systems to conduct a wide range of operations, including for individual insurance and business insurance operations and asset management operations, and their reliance on computer systems is increasing.

Given this situation, the Group is further strengthening its management of system risk. However, a significant malfunction of such systems would impede OTC operations and asset management operations at branches as well as reduce confidence in the three life insurance companies, which could cause a decrease in new policies or an increase in surrender rates. Such contingencies could adversely affect the T&D Life Group's business results or financial position.

2) Compliance

The Group has established the T&D Life Group CSR Charter, the Group Compliance Code of Conduct, and the T&D Life Group Basic Policy of Strengthening the Compliance Structure. The Group promotes compliance by informing executives and personnel about these basic compliance policies and standards. Further, directly owned subsidiaries seek rigorous compliance by preparing and implementing compliance programs as action plans for each fiscal year. Also, these subsidiaries prepare compliance manuals, which provide concrete explanations of the interpretation of laws and statutory regulations that personnel must comply with when conducting operations. The subsidiaries use the manuals as guides for personnel and as training materials. In addition, the Group has established an internal reporting system, the T&D Life Group Helpline, through which all personnel and executives can report compliance violations within the Group.

The occurrence of compliance violations despite these initiatives could lead to various problems. For example, administrative measures or the filing of lawsuits due to violations of laws and statutory regulations, fraudulent acts, or other inappropriate acts by T&D Life Group corporate officers or employees could adversely affect the T&D Life Group's public credibility, reputation, business results, or financial position.

3) Handling of Personal Information

Based on policies and regulations for the protection of personal information, directly owned subsidiaries take painstaking care over procedures when receiving, using, providing, storing, transferring, or destroying personal information.

In particular, the three life insurance companies are aware that they have to be more careful than other businesses when handling personal information because, in addition to receiving personal information when carrying out such procedures as concluding life insurance policies and paying insurance claims or insurance benefits, life insurance involves handling individuals' medical and/or health-related information.

In response to the full enforcement of the Act on the Protection of Personal Information in April 2005, the Company and its directly owned subsidiaries have implemented rigorous protection of personal information and control of information security by establishing or amending privacy policies, establishing organizations for the overall control and advancement of personal information protection, establishing managerial positions with responsibility for this area, preparing various regulations and manuals, and conducting education and training.

Given the numerous leakages of personal information from companies in recent years, the T&D Life Group as a whole is protecting personal information based on an awareness of the need to step up the rigor of personal information management.

A leakage of personal information from the Group could adversely affect the T&D Life Group's public credibility, reputation, business results, or financial position.

4) Risk of a Catastrophe

The Group insurance companies are exposed to the risk of payments of large payouts in the event of a catastrophe or disaster such as an earthquake, tsunami or terrorist act in a heavily populated area or across a wide area, or in the event of a widespread outbreak of an infectious disease such as influenza. While the Group insurance companies have built up contingency reserves in accordance with the Insurance Business Act of Japan, if these contingency reserves are insufficient to pay actual insurance claims, the Group's business results or financial position could be adversely affected.

Furthermore, a basic policy for the entire Group has been formulated regarding emergency measures in the event of a catastrophe and communicated within the Group. However, a situation due to a catastrophe that impacts a wide area for a long time or exceeds predictions, could adversely affect the Group's business results or financial position.

Capital Expenditures

1. OVERVIEW OF CAPITAL EXPENDITURES

The major capital expenditures for the year ended March 31, 2014 were as follows:

Company name	Description of capital expenditures	¥ millions
Taiyo Life Insurance Company	Conversion of rights associated with redevelopment (Shin-Nihombashi Building (provisional name))	¥ 6,966
Taiyo Life Insurance Company	Acquisition of compartmentalized ownership of buildings for lease (Kyobashi Trust Tower)	10,060

2. STATUS OF MAJOR FACILITIES

Major facilities for the T&D Life Group are as follows:

(1) T&D Holdings, Inc.

Not applicable

(2) Consolidated Subsidiaries in Japan

1) Taiyo Life Insurance Company

As of March 31, 2014

Offices (Location)	Facility details ⁵	Carrying amount (¥ millions)					Number of employees ⁴
		Buildings	Land (m ²) ³	Lease assets ¹	Others ²	Total	
Headquarters (Minato-ku, Tokyo)	(Investments)	¥ —	¥ (—)	¥ —	¥ —	¥ —	483
	(Business use)	148	(—)	761	244	1,154	—
Tokyo Computer Center (Urawa-ku, Saitama City)	(Investments)	2,404	2,012	—	—	4,417	231
	(Business use)	1,088	(6,495) 887 (2,863)	—	—	1,976	—
Taiyo Seimei Shinagawa Building (Minato-ku, Tokyo)	(Investments)	10,327	22,321	—	—	32,648	89
	(Business use)	452	(4,904) 978 (215)	—	—	1,431	—
Taiyo Seimei Shin-Nihombashi Building (Chuo-ku, Tokyo)	(Investments)	—	—	—	4,179	4,179	—
	(Business use)	—	(—)	—	2,786	2,786	—
Sapporo Branch (Chuo-ku, Sapporo City) and 8 other properties, etc.	(Investments)	622	540	—	—	1,162	92
	(Business use)	1,269	(1,197) [58] 760 (3,054) [278]	—	—	2,029	558
Sendai Branch (Aoba-ku, Sendai City) and 13 other properties, etc.	(Investments)	1,449	930	—	—	2,379	87
	(Business use)	1,161	(2,729) 468 (2,474)	—	—	1,630	548
Tokyo Branch (Chiyoda-ku, Tokyo) and 53 other properties, etc.	(Investments)	4,908	5,847	—	—	10,756	497
	(Business use)	6,518	(7,034) [87] 7,968 (16,033) [52]	—	0	14,487	2,712
Nagoya Branch (Naka-ku, Nagoya City) and 22 other properties, etc.	(Investments)	1,494	2,340	—	—	3,835	242
	(Business use)	2,678	(3,392) 2,517 (7,270) [601]	—	—	5,196	1,606
Osaka Branch (Chuo-ku, Osaka City) and 28 other properties, etc.	(Investments)	3,009	3,151	—	—	6,161	302
	(Business use)	4,471	(6,529) 4,778 (10,478)	—	—	9,250	1,605
Hiroshima Branch (Minami-ku, Hiroshima City) and 15 other properties, etc.	(Investments)	1,364	1,143	—	—	2,508	118
	(Business use)	1,469	(3,260) 1,252 (3,611)	—	—	2,721	664
Fukuoka Branch (Hakata-ku, Fukuoka City) and 14 other properties, etc.	(Investments)	1,976	2,856	—	—	4,832	227
	(Business use)	2,658	(3,723) 3,502 (5,422)	—	—	6,160	1,279
Building for rent Nibancho Garden (Chiyoda-ku, Tokyo) and 32 other properties, etc.	(Investments)	8,725	24,924	—	175	33,826	—
	(Business use)	—	(22,117) — (—)	—	—	—	—
Kushiro Housing (Kushiro City, Hokkaido) and Villas for employees, etc.	(Investments)	—	—	—	—	—	—
	(Business use)	3,420	(—) 8,453 (55,778) [104]	—	—	11,873	—

- Notes: 1. Lease assets have all been recorded under Headquarters, as the carrying amount of lease assets used at each business site is minimal.
2. "Others" comprises ¥244 million of other tangible fixed assets and ¥7,142 million of construction in progress. Other tangible fixed assets mainly consist of furniture and fixtures, and are all recorded under Headquarters, as the carrying amount of movables used at each business site is minimal.
3. Figures enclosed in brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥20 million for land and ¥1,193 million for buildings. Among rent for buildings, rent related to Headquarters was ¥621 million.
4. In the "Number of employees" column, the upper row indicates the number of office workers, whereas the lower row indicates the sum of sales representatives and customer service staff.
5. "Investment" in the "Facility details" column indicates the entire portion of land and buildings primarily intended for business use that are used for leasing purposes.

2) Daido Life Insurance Company

As of March 31, 2014

Offices (Location)	Facility details	Carrying amount (¥ millions)					Number of employees ⁴
		Buildings	Land (m ²) ³	Lease assets ²	Others ¹	Total	
Hokkaido Marketing Headquarters (Chuo-ku, Sapporo City), Hokkaido Branch and 1 other branch	(Investments)	¥1,070	¥ 385	¥ —	¥ —	¥ 1,456	78
	(Business use)	233	(1,424) 79 (291)	—	—	312	125
Tohoku Marketing Headquarters (Aoba-ku, Sendai City), Sendai Branch and 3 other branches	(Investments)	767	703	—	—	1,471	115
	(Business use)	233	(1,329) 141 (398)	—	—	374	242
Tokyo Metropolitan Area Marketing Headquarters (Chuo-ku, Tokyo), Tokyo Branch and 23 other branches	(Investments)	9,724	38,636	—	1,809	50,170	482
	(Business use)	477	(9,810) 271 (569)	—	—	748	838
Kanto-Shinetsu Marketing Headquarters (Omiya-ku, Saitama City), Saitama Branch and 11 other branches	(Investments)	1,853	2,346	—	—	4,199	256
	(Business use)	439	(4,301) 444 (780)	—	—	884	487
Hokuriku Marketing Headquarters (Kanazawa City, Ishikawa Prefecture), Kanazawa Branch and 3 other branches	(Investments)	1,142	585	—	—	1,728	63
	(Business use)	151	(1,835) [590] 89 (380) [70]	—	—	241	113
Tokai Marketing Headquarters (Nakamura-ku, Nagoya City), Nagoya Branch and 11 other branches	(Investments)	3,308	4,137	—	—	7,445	262
	(Business use)	809	(5,000) 921 (1,390)	—	—	1,731	449
Kinki Marketing Headquarters (Kita-ku, Osaka City), Osaka Branch and 15 other branches	(Investments)	8,043	7,392	—	—	15,435	398
	(Business use)	1,419	(14,648) [196] 1,269 (3,655) [39]	—	15	2,703	674
Chugoku Marketing Headquarters (Naka-ku, Hiroshima City), Hiroshima Branch and 4 other branches	(Investments)	1,229	2,385	—	—	3,615	119
	(Business use)	365	(3,544) 366 (925)	—	—	732	211
Shikoku Marketing Headquarters (Takamatsu City, Kagawa Prefecture), Shikoku Branch and 1 other branches	(Investments)	1,484	1,287	—	—	2,771	55
	(Business use)	243	(2,951) [515] 149 (477) [57]	—	—	392	121
North Kyushu Marketing Headquarters (Chuo-ku, Fukuoka City), Fukuoka Branch and 6 other branches	(Investments)	2,106	2,833	—	—	4,939	137
	(Business use)	646	(3,571) 830 (2,003)	—	—	1,477	327
South Kyushu Marketing Headquarters (Chuo-ku, Kumamoto City), Kumamoto Branch and 4 other branches	(Investments)	1,949	2,670	—	—	4,619	99
	(Business use)	473	(3,162) 609 (849)	—	—	1,082	246
Osaka Headquarters (Nishi-ku, Osaka City)	(Investments)	1,467	30	—	53	1,551	539
	(Business use)	5,204	(527) [45] 109 (1,869) [160]	—	1,049	6,363	—
Tokyo Headquarters (Minato-ku, Tokyo)	(Investments)	—	—	—	—	—	571
	(Business use)	192	(—) (—)	979	—	1,171	—
Hayama Training Center, employee housing, etc. (Miura-gun, Kanagawa Prefecture)	(Investments)	—	—	—	—	—	—
	(Business use)	2,408	(—) 7,056 (25,896) [178]	—	—	9,464	—

Notes: 1. "Others" comprises ¥1,102 million of movables and ¥1,824 million of construction in progress.

The main movables included in "Others" consist of ¥796 million in paintings, sculptures and other works of art. Movables are all recorded under Osaka Headquarters, as the carrying amount of movables used at business sites other than Osaka Headquarters is minimal.

2. The carrying amounts of lease assets used at each business site are all recorded under Tokyo Headquarters.

3. Figures enclosed in brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥62 million for land and ¥2,841 million for buildings. Among rent for buildings, rent related to Tokyo Headquarters was ¥758 million.

4. In the "Number of employees" column, the upper row indicates the number of office workers, whereas the lower row indicates the sum of sales representatives.

3) T&D Financial Life Insurance Company

As of March 31, 2014

Offices (Location)	Facility details	Carrying amount (¥ millions)					Number of employees ³
		Buildings	Land (m ²)	Lease assets	Others ¹	Total	
Headquarters (Minato-ku, Tokyo)			¥ —				
3 Regional Sales Promotion Departments	(Business use)	¥0	(—)	¥0	¥0	¥0	185

Notes: 1. "Others" represents other tangible fixed assets, which mainly consist of furniture and fixtures. Furniture and fixtures are all recorded under Headquarters, as the carrying amount of furniture and fixtures used at each business promotion office is minimal.

2. Rent related to real estate was ¥289 million for buildings. Among rent for buildings, the rent related to Headquarters was ¥145 million.

3. The number of employees consists entirely of office workers.

3. PLANS FOR NEW FACILITY ACQUISITION AND DISPOSAL

Plans for important new facility acquisition and disposal as of March 31, 2014 were as follows:

(1) New Facility Acquisition

As of March 31, 2014

Company	Offices (Location)	Facility details	Planned investment amount (¥ millions)		Funding method	Construction started	Planned completion date
			Total	Paid			
Taiyo Life Insurance Company	Conversion of rights associated with redevelopment (Shin-Nihombashi Building (provisional name))	Office building	¥39,004	¥6,966	Own fund	March 2014	January 2018
Daido Life Insurance Company	Nihonbashi 2-chome Office (Chuo-ku, Tokyo)	Office building	9,556	1,695	Own fund	December 2012	February 2015

Note: Consumption taxes are not included in the above amounts.

Other

STATUS OF STOCK HOLDINGS

1) Taiyo Life — the Subsidiary with the Largest Holding of Stocks

a) Investments in Stocks for which the Holding Purpose Is Other Than Purely Investment Purposes

Number of companies	47
Total carrying amount on the balance sheet	¥301,365 million

Specified Investment Shares

Year ended March 31, 2013

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Komatsu Ltd.	34,000,716	¥76,467	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
Mitsubishi Estate Co., Ltd.	10,000,000	25,960	
Keio Corporation	29,310,161	23,711	
Mitsui Fudosan Co., Ltd.	8,096,575	21,366	
Mitsubishi Electric Corporation	24,350,000	18,432	
Daiwa Securities Group Inc.	21,140,000	13,867	
Tokyu Corporation	17,133,118	12,147	
Mitsubishi Chemical Holdings Corporation	24,708,372	10,748	
Mitsui & Co., Ltd.	8,160,800	10,715	
Tsubakimoto Chain Co.	18,398,316	8,886	
Mitsubishi UFJ Financial Group, Inc.	15,220,718	8,493	
Kuraray Co., Ltd.	5,782,010	8,112	
NKSJ Holdings, Inc.	4,095,820	8,044	
Shimadzu Corporation	8,411,520	5,644	
Electric Power Development Co., Ltd. (J-POWER)	1,991,040	4,931	
Nippon Steel & Sumitomo Metal Corporation	16,537,500	3,886	
TS Tech Co., Ltd.	1,400,000	3,747	
Kurimoto, Ltd.	12,090,750	3,711	
Obayashi Corporation	5,486,400	2,468	
Ono Pharmaceutical Co., Ltd.	351,000	2,011	
Nisshin Steel Holdings Co., Ltd.	2,650,000	1,968	
Tsukishima Kikai Co., Ltd.	1,885,000	1,596	
Mitsubishi Tanabe Pharma Corporation	1,085,000	1,567	
Sotetsu Holdings, Inc.	3,800,000	1,311	
Hokuetsu Kishu Paper Co., Ltd.	2,817,987	1,265	
Raito Kogyo Co., Ltd.	2,734,500	1,203	
Toppan Printing Co., Ltd.	1,749,088	1,182	
Showa Denko K.K.	7,000,000	987	
Taikisha Ltd.	422,029	898	
Tsubakimoto Kogyo Co., Ltd.	2,869,027	728	

Regarded as Holding Shares

Not applicable

Specified Investment Shares

Year ended March 31, 2014

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Komatsu Ltd.	34,000,716	¥72,693	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
Mitsui Fudosan Co., Ltd.	8,096,575	25,496	
Mitsubishi Estate Co., Ltd.	9,500,000	23,237	
Keio Corporation	29,310,161	21,074	
Mitsubishi Electric Corporation	17,650,000	20,509	
Daiwa Securities Group Inc.	21,140,000	18,983	
Tsubakimoto Chain Co.	18,398,316	13,577	
NKSJ Holdings, Inc.	4,095,820	10,862	
Tokyu Corporation	17,133,118	10,810	
Mitsui & Co., Ltd.	7,160,800	10,447	
Mitsubishi UFJ Financial Group, Inc.	15,220,718	8,630	
Mitsubishi Chemical Holdings Corporation	18,838,372	8,081	
Shimadzu Corporation	7,411,520	6,796	
Electric Power Development Co., Ltd. (J-POWER)	1,991,040	5,803	
Kuraray Co., Ltd.	4,248,810	5,013	
Nippon Steel & Sumitomo Metal Corporation	16,537,500	4,663	
TS Tech Co., Ltd.	1,400,000	4,382	
Obayashi Corporation	5,486,400	3,193	
Ono Pharmaceutical Co., Ltd.	351,000	3,137	
Kurimoto, Ltd.	12,090,750	2,756	
Raito Kogyo Co., Ltd.	2,734,500	2,359	
Nisshin Steel Holdings Co., Ltd.	2,650,000	2,339	
Tsukishima Kikai Co., Ltd.	1,885,000	2,177	
Mitsubishi Tanabe Pharma Corporation	1,085,000	1,565	
Hokuetsu Kishu Paper Co., Ltd.	2,817,987	1,459	
Sotetsu Holdings, Inc.	3,800,000	1,436	
Showa Denko K.K.	7,000,000	1,022	
Taikisha Ltd.	422,029	944	
Tsubakimoto Kogyo Co., Ltd.	2,869,027	817	
Takasago Thermal Engineering Co., Ltd.	678,347	717	

Regarded as Holding Shares

Not applicable

b) Stocks for which the Holding Purpose Is Purely Investment Purposes

	Fiscal 2012 ¥ millions	Total carrying amount on the balance sheet	Total dividends received	Total gains (losses) on sales	Valuation losses	Fiscal 2013 ¥ millions
	Total carrying amount on the balance sheet					Difference between acquisition cost and carrying amount
Unlisted stocks	¥60,522	¥63,956	¥2,316	¥ —	¥ —	¥ 1,565
Stocks other than unlisted stocks	83,808	88,967	2,061	958	862	29,953

2) Daido Life — the Subsidiary with the Second Largest Holding of Stocks

a) Investments in Stocks for which the Holding Purpose Is Other Than Purely Investment Purposes

Number of companies	200
Total carrying amount on the balance sheet	¥206,373 million

Specified Investment Shares

Year ended March 31, 2013

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥35,806	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
SMC Corporation	627,300	11,404	
Astellas Pharma Inc.	1,891,100	9,568	
Daiwa House Industry Co., Ltd.	5,000,000	9,100	
Kansai Paint Co., Ltd.	7,607,000	7,956	
Ono Pharmaceutical Co., Ltd.	1,309,900	7,505	
EZAKI GLICO CO., LTD	7,000,800	6,818	
Konica Minolta Holdings, Inc.	9,040,518	6,219	
Fuji Machine Mfg. Co., Ltd.	6,684,000	5,139	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	4,938	
Okasan Securities Group Inc.	5,500,000	4,862	
TKC Corporation	2,569,046	4,418	
The Shizuoka Bank, Ltd.	3,824,000	4,053	
The Kansai Electric Power Co., Inc.	3,656,550	3,393	
The Daishi Bank, Ltd.	7,056,000	2,709	
Mitsui Fudosan Co., Ltd.	1,000,000	2,639	

Regarded as Holding Shares

Not applicable

Specified Investment Shares

Year ended March 31, 2014

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥36,383	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
SMC Corporation	627,300	17,078	
Ono Pharmaceutical Co., Ltd.	1,309,900	11,710	
Astellas Pharma Inc.	9,455,500	11,573	
Kansai Paint Co., Ltd.	7,607,000	11,220	
EZAKI GLICO CO., LTD	7,000,800	9,570	
Daiwa House Industry Co., Ltd.	5,000,000	8,755	
Konica Minolta Holdings, Inc.	9,040,518	8,706	
NURNBERGER BETEIL NPV B (REGD) (MINKULIERT)	806,400	8,144	
Fuji Machine Mfg. Co., Ltd.	6,684,000	6,062	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	5,811	
TKC Corporation	2,569,046	5,266	
Okasan Securities Group Inc.	5,500,000	4,779	
The Kansai Electric Power Co., Inc.	3,656,550	3,872	
The Shizuoka Bank, Ltd.	3,824,000	3,850	
Mitsubishi Pencil Co., Ltd.	1,172,000	3,467	
Mitsui Fudosan Co., Ltd.	1,000,000	3,149	
The Daishi Bank, Ltd.	7,056,000	2,674	
Tsukishima Kikai Co., Ltd.	2,000,000	2,310	

Regarded as Holding Shares

Not applicable

b) Stocks for which the Holding Purpose Is Purely Investment Purposes

	Fiscal 2012 ¥ millions					Fiscal 2013 ¥ millions
	Total carrying amount on the balance sheet	Total carrying amount on the balance sheet	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and carrying amount
Unlisted stocks	¥69,260	¥72,905	¥3,548	¥359	¥961	¥811
Stocks other than unlisted stocks	2,294	1,036	27	639	—	465

3) T&D Holdings

a) Investments in Stocks for which the Holding Purpose Is Other Than Purely Investment Purposes

Not applicable

b) Stocks for which the Holding Purpose Is Purely Investment Purposes

Not applicable

BONDS ISSUED

Company	Type of instrument	Issuance date	Balance at April 1, 2013 ¥ millions	Balance at March 31, 2014 ⁴ ¥ millions	Interest rate %	Security	Maturity date
Taiyo Life Insurance Company	Second series unsecured bonds with early redemption clause (subordinated and split-restricted small-number private placement)	November 11, 2009	¥14,000	¥14,000	2.14 ¹	None	November 11, 2019
Taiyo Life Insurance Company	Third series unsecured bonds with early redemption clause (subordinated and limited to qualified institutional investors)	September 21, 2010	31,100	31,100	1.44 ²	None	September 21, 2020
Taiyo Life Insurance Company	Forth series unsecured bonds with early redemption clause (subordinated, limited to qualified institutional investors and split-restricted small-number private placement)	September 27, 2013	—	20,000	0.99 ³	None	September 27, 2023
T&D Lease Co., Ltd.	Short-term debenture	March 25, 2013 to March 24, 2014	999	2,999 (2,999)	0.12–0.14	None	June 25, 2013 to June 24, 2014
Total	—	—	¥46,099	¥68,099 (2,999)	—	—	—

- Notes: 1. The interest rate shown for the second series unsecured bonds is the annual interest rate from November 12, 2009, until November 11, 2014. The interest rate from November 12, 2014 onward is the London Interbank Offered Rate (LIBOR) for six-month yen deposits plus 2.70%.
2. The interest rate shown for the third series unsecured bonds is the annual interest rate from September 22, 2010, until September 21, 2015. The interest rate from September 22, 2015 onward is the LIBOR for six-month yen deposits plus 2.30%.
3. The interest rate shown for the fourth series unsecured bonds is the annual interest rate from September 28, 2013, until September 27, 2018. The interest rate from September 28, 2018 onward is the LIBOR for six-month yen deposits plus 2.02%.
4. Figures enclosed in brackets in the "Balance at March 31, 2014" column are amounts of short-term debentures due within one year.
5. Scheduled redemptions due within five years subsequent to the consolidated balance sheet date are as follows:

Within one year ¥ millions	Over 1 year but within 2 years ¥ millions	Over 2 years but within 3 years ¥ millions	Over 3 years but within 4 years ¥ millions	Over 4 years but within 5 years ¥ millions
¥3,000	¥—	¥—	¥—	¥—

BORROWINGS

Classification	Balance at April 1, 2013 ¥ millions	Balance at March 31, 2014 ¥ millions	Interest rate ¹ %	Maturity date
Short-term borrowings	—	—	—	—
Long-term borrowings due for repayment within one year	¥11,012	¥ 11,364	0.85	—
Lease obligations due for repayment within one year	596	702	0.93	—
Long-term borrowings (excluding the amount due for repayment within one year)	75,698	104,678	1.23	April 2015 to March 2024
Lease obligations (excluding the amount due for repayment within one year)	752	829	1.24	April 2015 to March 2019
Other interest-bearing liabilities	—	—	—	—
Total	¥88,058	¥117,573	—	—

Notes: 1. The average interest rates shown are the weighted-average interest rates on the balance of borrowings at March 31, 2014.

2. Scheduled repayments due within five years subsequent to the consolidated balance sheet date for long-term borrowings and lease obligations (excluding the amount due for repayment within one year) are as follows:

Classification	Over 1 year but within 2 years ¥ millions	Over 2 years but within 3 years ¥ millions	Over 3 years but within 4 years ¥ millions	Over 4 years but within 5 years ¥ millions
Long-term borrowings	¥8,566	¥6,022	¥4,256	¥1,884
Lease obligation	392	300	116	17

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Assets:			
Cash and deposits	¥ 378,331	¥ 414,470	\$ 3,675,976
Call loans	187,600	338,100	1,822,774
Monetary claims purchased	451,083	304,101	4,382,852
Monetary trusts (Notes 20 and 22)	213,608	68,365	2,075,479
Securities (Notes 10, 12, 20 and 21)	10,211,280	10,168,725	99,215,705
Loans (Notes 4 and 20)	1,878,474	1,870,495	18,251,794
Tangible fixed assets (Note 5):			
Land	173,384	175,174	1,684,653
Buildings	109,342	112,979	1,062,403
Lease assets (Note 17)	1,156	996	11,237
Construction in progress	8,967	191	87,127
Other tangible fixed assets	2,464	2,655	23,949
Total tangible fixed assets	295,315	291,996	2,869,371
Intangible fixed assets:			
Software	19,968	20,689	194,014
Lease assets (Note 17)	12	22	119
Other intangible fixed assets	1,329	1,336	12,913
Total intangible fixed assets	21,309	22,047	207,047
Due from agencies	1,003	1,020	9,749
Due from reinsurers	451	1,281	4,390
Other assets (Notes 17 and 23)	161,551	175,068	1,569,683
Deferred tax assets (Note 19)	6,592	20,311	64,054
Reserve for possible loan losses	(2,382)	(7,264)	(23,153)
Total assets	¥13,804,219	¥13,668,719	\$134,125,727

		¥ millions	US\$ thousands
As of March 31,	2014	2013	2014
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 70,678	¥ 69,008	\$ 686,732
Policy reserve	12,042,327	12,021,529	117,006,679
Reserve for policyholder dividends (Note 7)	113,781	118,721	1,105,531
Total policy reserves	12,226,787	12,209,259	118,798,943
Due to agencies	833	1,178	8,103
Due to reinsurers	453	389	4,401
Short-term debentures	2,999	999	29,142
Subordinated bonds (Note 8)	65,100	45,100	632,530
Other liabilities (Notes 9 and 23)	276,402	294,042	2,685,608
Reserve for bonus to directors and audit & supervisory board members	262	302	2,546
Reserve for employees' retirement benefits (Note 24)	—	59,249	—
Net defined benefit liability (Note 24)	51,656	—	501,906
Reserve for directors' and audit & supervisory board members' retirement benefits	65	55	637
Reserve for price fluctuations	150,040	125,939	1,457,831
Deferred tax liabilities (Note 19)	3,097	3,753	30,100
Deferred tax liabilities on land revaluation	6,196	8,702	60,209
Total liabilities	12,783,895	12,748,972	124,211,962
Net assets:			
Common stock:			
Authorized — 1,932,000,000 shares			
Issued — 681,480,000 shares	207,111	207,111	2,012,357
Capital surplus	194,595	194,617	1,890,744
Retained earnings (Note 11)	290,861	221,597	2,826,094
Treasury stock	(9,049)	(6,115)	(87,930)
Total stockholders' equity	683,519	617,210	6,641,266
Net unrealized gains on securities	387,773	351,526	3,767,717
Deferred gains on hedging instruments	(8,263)	(10,763)	(80,291)
Land revaluation	(45,586)	(40,712)	(442,935)
Foreign currency translation adjustments	6	(78)	59
Total accumulated other comprehensive income	333,929	299,970	3,244,549
Subscription rights to shares (Notes 15 and 25)	523	307	5,089
Minority interests	2,352	2,257	22,859
Total net assets	1,020,324	919,746	9,913,765
Total liabilities and net assets	¥13,804,219	¥13,668,719	\$134,125,727

See notes to consolidated financial statements.

Consolidated Statement of Operation

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Ordinary revenues:			
Income from insurance premiums	¥1,609,732	¥1,940,900	\$15,640,619
Investment income:			
Interest, dividends and income from real estate for rent	287,487	265,717	2,793,309
Gains on investments in trading securities, net	15,354	16,091	149,189
Gains on sales of securities	30,496	49,404	296,311
Reversal of reserve for possible loan losses	1,828	907	17,762
Other investment income	3,171	2,836	30,815
Gains on separate accounts, net	59,480	68,027	577,925
Total investment income	397,818	402,985	3,865,312
Other ordinary income:			
Other ordinary income	78,146	75,043	759,294
Total other ordinary income	78,146	75,043	759,294
Equity in net income of affiliated companies	37	29	366
Total ordinary revenues	2,085,734	2,418,959	20,265,594
Ordinary expenses:			
Insurance claims and other payments:			
Insurance claims	382,996	449,769	3,721,299
Annuity payments	460,468	237,931	4,474,044
Insurance benefits	192,427	216,526	1,869,683
Surrender payments	414,993	339,601	4,032,198
Other payments	70,101	99,727	681,128
Total insurance claims and other payments	1,520,988	1,343,556	14,778,354
Provision for policy and other reserves:			
Provision for reserve for outstanding claims	1,670	4,543	16,226
Provision for policy reserve	20,797	512,226	202,076
Interest portion of reserve for policyholder dividends	129	190	1,260
Total provision for policy and other reserves	22,597	516,959	219,564
Investment expenses:			
Interest expenses	2,037	1,792	19,798
Losses from monetary trusts, net	11,011	20,233	106,995
Losses on sales of securities	17,634	26,425	171,340
Devaluation losses on securities	5,310	9,798	51,596
Losses from derivatives, net	27,317	30,310	265,420
Foreign exchange losses, net	31	4,767	302
Write-off of loans	2,516	3	24,453
Depreciation of real estate for rent	4,803	4,938	46,675
Other investment expenses	16,017	20,118	155,631
Total investment expenses	86,680	118,387	842,214
Operating expenses	197,655	203,781	1,920,478
Other ordinary expenses	71,588	84,584	695,575
Total ordinary expenses	1,899,510	2,267,269	18,456,187
Ordinary profit	¥ 186,224	¥ 151,689	\$ 1,809,406

(continued)

	¥ millions		US\$ thousands
Years ended March 31,	2014	2013	2014
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 4	¥ 216	\$ 44
State subsidy	189	55	1,842
Gains on transfer of retirement benefit plan	134	—	1,304
Compensation for transfer	89	—	869
Total extraordinary gains	417	271	4,060
Extraordinary losses:			
Losses on disposal of fixed assets	2,810	1,218	27,303
Impairment losses (Note 13)	3,967	720	38,546
Provision for reserve for price fluctuations	24,100	24,862	234,165
Other extraordinary losses	276	952	2,689
Total extraordinary losses	31,154	27,754	302,705
Provision for reserve for policyholder dividends	31,638	31,197	307,404
Income before income taxes	123,849	93,008	1,203,358
Income taxes (Note 19):			
Current	48,113	27,436	467,484
Deferred	(3,402)	1,644	(33,055)
Total income taxes	44,711	29,081	434,429
Income before minority interests	79,138	63,927	768,928
Minority interests	155	193	1,510
Net income	¥ 78,982	¥63,733	\$ 767,418
		¥	US\$
Net income per share (Note 29):			
Basic	¥117.42	¥94.52	\$1.14
Diluted	117.31	94.47	1.13

Consolidated Statement of Comprehensive Income

	¥ millions		US\$ thousands
Years ended March 31,	2014	2013	2014
Income before minority interests	¥ 79,138	¥ 63,927	\$ 768,928
Other comprehensive income (Note 14):			
Net unrealized gains on securities	36,232	193,766	352,047
Deferred gains on hedging instruments	2,500	(8,714)	24,293
Foreign currency translation adjustments	1	100	15
Share of other comprehensive income of associates accounted for using the equity method	28	10	274
Total other comprehensive income	38,762	185,163	376,630
Comprehensive income	¥117,900	¥249,090	\$1,145,558
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	117,747	248,899	1,144,070
Comprehensive income attributable to minority interests	153	191	1,488

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

¥ millions

Year ended March 31, 2014	Stockholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of the year	¥207,111	¥194,617	¥221,597	¥(6,115)	¥617,210	¥351,526	¥(10,763)	¥(40,712)	¥(78)	¥299,970	¥307	¥2,257	¥ 919,746
Cumulative effects of changes in accounting policies			647		647								647
Restated balance	207,111	194,617	222,244	(6,115)	617,857	351,526	(10,763)	(40,712)	(78)	299,970	307	2,257	920,394
Changes in the period													
Dividends			(15,172)		(15,172)								(15,172)
Net income			78,982		78,982								78,982
Acquisition of treasury stock				(3,009)	(3,009)								(3,009)
Disposal of treasury stock		(21)		75	53								53
Reversal of land revaluation			4,874		4,874								4,874
Change of scope of consolidation			(67)		(67)								(67)
Net changes of items other than stockholders' equity						36,247	2,500	(4,874)	84	33,958	215	95	34,269
Total changes in the period		(21)	68,617	(2,934)	65,661	36,247	2,500	(4,874)	84	33,958	215	95	99,930
Balance at the end of the year	¥207,111	¥194,595	¥290,861	¥(9,049)	¥683,519	¥387,773	¥ (8,263)	¥(45,586)	¥ 6	¥333,929	¥523	¥2,352	¥1,020,324

US\$ thousands

Year ended March 31, 2014	Stockholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of the year	\$2,012,357	\$1,890,955	\$2,153,099	\$(59,421)	\$5,996,991	\$3,415,527	\$(104,585)	\$(395,577)	\$(764)	\$2,914,599	\$2,992	\$21,934	\$8,936,518
Cumulative effects of changes in accounting policies			6,291		6,291								6,291
Restated balance	2,012,357	1,890,955	2,159,391	(59,421)	6,003,283	3,415,527	(104,585)	(395,577)	(764)	2,914,599	2,992	21,934	8,942,810
Changes in the period													
Dividends			(147,417)		(147,417)								(147,417)
Net income			767,418		767,418								767,418
Acquisition of treasury stock				(29,240)	(29,240)								(29,240)
Disposal of treasury stock		(211)		731	520								520
Reversal of land revaluation			47,357		47,357								47,357
Change of scope of consolidation			(655)		(655)								(655)
Net changes of items other than stockholders' equity						352,189	24,293	(47,357)	823	329,949	2,097	924	332,971
Total changes in the period		(211)	666,703	(28,508)	637,983	352,189	24,293	(47,357)	823	329,949	2,097	924	970,954
Balance at the end of the year	\$2,012,357	\$1,890,744	\$2,826,094	\$(87,930)	\$6,641,266	\$3,767,717	\$ (80,291)	\$(442,935)	\$ 59	\$3,244,549	\$5,089	\$22,859	\$9,913,765

¥ millions

Year ended March 31, 2013	Stockholders' equity					Accumulated other comprehensive income							Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	
Balance at the beginning of the year	¥207,111	¥194,617	¥172,909	¥(6,112)	¥568,526	¥157,754	¥ (2,049)	¥(40,586)	¥(185)	¥114,931	¥ —	¥2,130	¥685,588
Changes in the period													
Dividends			(15,172)		(15,172)								(15,172)
Net income			63,733		63,733								63,733
Acquisition of treasury stock				(3)	(3)								(3)
Disposal of treasury stock		(0)		0	0								0
Reversal of land revaluation			126		126								126
Net changes of items other than stockholders' equity						193,772	(8,714)	(126)	107	185,039	307	126	185,473
Total changes in the period		(0)	48,687	(3)	48,684	193,772	(8,714)	(126)	107	185,039	307	126	234,158
Balance at the end of the year	¥207,111	¥194,617	¥221,597	¥(6,115)	¥617,210	¥351,526	¥(10,763)	¥(40,712)	¥ (78)	¥299,970	¥307	¥2,257	¥919,746

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes	¥ 123,849	¥ 93,008	\$ 1,203,358
Depreciation of real estate for rent	4,803	4,938	46,675
Other depreciation and amortization	10,360	10,944	100,661
Impairment losses	3,967	720	38,546
Amortization of goodwill	—	6	—
Increase in reserve for outstanding claims	1,670	4,543	16,226
Increase in policy reserve	20,797	512,226	202,076
Interest portion of reserve for policyholder dividends	129	190	1,260
Provision for reserve for policyholder dividends	31,638	31,197	307,404
Decrease in reserve for possible loan losses	(1,926)	(948)	(18,719)
Increase (decrease) in reserve for bonus to directors and audit & supervisory board members	(40)	73	(397)
Increase in reserve for employees' retirement benefits	—	378	—
Decrease in net defined benefit liability	(6,670)	—	(64,816)
Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits	10	(4,815)	101
Increase in reserve for price fluctuations	24,100	24,862	234,165
Interest, dividends and income from real estate for rent	(287,487)	(265,717)	(2,793,309)
Gains on investment securities	(82,386)	(97,298)	(800,488)
Interest expenses	2,037	1,792	19,798
Exchange losses	85	4,711	830
Losses on disposal of tangible fixed assets	2,223	435	21,604
Equity in net income of affiliated companies	(37)	(29)	(366)
Decrease in amount due from agencies	16	27	162
Decrease in amount due from reinsurers	829	2,396	8,063
Increase in other assets (excluding investment activities-related and financing activities-related)	(11,792)	(272)	(114,574)
Increase (decrease) in amount due to agencies	(344)	746	(3,344)
Increase in amount due to reinsurers	63	40	617
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	(3,054)	15,387	(29,673)
Others, net	54,677	68,545	531,264
Subtotal	(112,478)	408,091	(1,092,871)
Interest, dividends and income from real estate for rent received	304,396	269,247	2,957,602
Interest paid	(2,033)	(1,792)	(19,758)
Policyholder dividends	(36,698)	(37,025)	(356,569)
Others, net	53,192	1,606	516,833
Income taxes (paid) refunded	(47,248)	(3,394)	(459,078)
Net cash provided by (used in) operating activities	¥ 159,130	¥ 636,733	\$ 1,546,158

(continued)

	¥ millions		US\$ thousands
Years ended March 31,	2014	2013	2014
Cash flows from investing activities:			
Net (increase) decrease in short-term investments	¥ 29,517	¥ (31,340)	\$ 286,804
Investments in monetary claims purchased	(6,000)	(4,000)	(58,297)
Proceeds from sale and redemption of monetary claims purchased	35,874	36,791	348,564
Investments in monetary trusts	(173,830)	(41,900)	(1,688,981)
Proceeds from monetary trusts	16,980	14,740	164,982
Purchase of securities	(1,797,679)	(2,089,227)	(17,466,769)
Sale and redemption of securities	1,904,771	1,738,273	18,507,306
Investments in loans	(495,946)	(605,459)	(4,818,759)
Collection of loans	484,069	668,075	4,703,360
Others, net	(204,516)	(168,549)	(1,987,136)
Subtotal	(206,758)	(482,596)	(2,008,927)
Total of net cash provided by (used in) operating activities and investment transactions as above	(47,628)	154,136	(462,768)
Purchase of tangible fixed assets	(7,092)	(6,253)	(68,908)
Proceeds from disposal of tangible fixed assets	189	241	1,839
Purchase of subsidiary's equity with a change in scope of consolidation	—	160	—
Others, net	(202)	(374)	(1,968)
Net cash provided by (used in) investing activities	(213,864)	(488,822)	(2,077,964)
Cash flows from financing activities:			
Proceeds from issuance of short-term debenture	1,999	999	19,429
Proceeds from issuance of debt	41,350	13,650	401,768
Repayments of debt	(12,018)	(12,106)	(116,770)
Proceeds from issuance of bonds	20,000	—	194,325
Payment of lease obligations	(542)	(702)	(5,269)
Purchase of treasury stock	(3,009)	(3)	(29,240)
Sale of treasury stock	0	0	1
Dividends paid	(15,178)	(15,133)	(147,477)
Dividends paid to minority interests	(58)	(64)	(563)
Others, net	0	—	0
Net cash provided by (used in) financing activities	32,543	(13,360)	316,204
Effect of exchange rate changes on cash and cash equivalents	(808)	(897)	(7,850)
Net increase (decrease) in cash and cash equivalents	(22,997)	133,651	(223,451)
Cash and cash equivalents at the beginning of the year	850,108	716,456	8,259,898
Cash and cash equivalents at the end of the year (Note 16)	¥ 827,111	¥ 850,108	\$ 8,036,446

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Notes on Going-Concern Assumption

Not applicable.

Note 2 Summary of Significant Accounting Policies

(a) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the "Company"), was established as a life insurance holding company, through which Taiyo Life Insurance Company ("Taiyo Life"), Daido Life Insurance Company ("Daido Life") and T&D Financial Life Insurance Company ("T&D Financial Life") (hereafter, the "Three Life Insurance Companies"), became wholly owned subsidiaries through share transfers. The business combination was accounted for as a pooling of interests.

The Company, including its domestic consolidated subsidiaries, maintains its accounting records and prepares its financial statements in Japanese yen in accordance with the provisions of the Insurance Business Act of Japan (the "Insurance Business Act") and in conformity with generally accepted accounting principles and practices in Japan.

The accompanying consolidated financial statements are compiled from the financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the consolidated financial statements, certain items presented in the original financial statements have been reclassified and summarized for readers outside Japan. These consolidated financial statements have been prepared on the basis of generally accepted accounting principles and practices in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. In addition, the accompanying footnotes include information that is not required under generally accepted accounting principles and practices in Japan, but is presented herein as additional information to the consolidated financial statements.

Amounts of less than one million yen and one thousand U.S. dollars have been eliminated. As a result, yen and U.S. dollar totals shown herein do not necessarily agree with the sum of the individual amounts.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All material intercompany balances and transactions are eliminated. The number of consolidated subsidiaries for the year ended March 31, 2014 was 15. Effective from fiscal year ended March 31, 2014, T&D Asset Management (U.S.A) Inc. was excluded from the scope of consolidation, due to its liquidation.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies accounted for under the equity method for the year ended March 31, 2014 was two.

There are no affiliated companies which are accounted for under the cost method.

Further information for consolidated subsidiaries and affiliated companies is shown in "Group Companies" on page 158.

The financial statements of subsidiaries located outside Japan for the year ended December 31 are consolidated. Appropriate adjustments have been made for material transactions between December 31 and March 31, the closing date of the Company's consolidated financial statements.

(c) Foreign currency translation

(i) Foreign currency accounts

Foreign currency assets and liabilities are translated into yen at the prevailing foreign exchange rates at the respective balance sheet date except for certain hedging instruments and related hedged items, which are translated at the contracted rates of such hedging instruments.

All revenues and expenses denominated in foreign currencies are translated at the prevailing exchange rates when such transactions are made. Exchange gains and losses are credited or charged to income.

(ii) Foreign currency financial statements of consolidated subsidiaries

Assets, liabilities, revenues and expenses of the Company's affiliates located outside Japan are translated into yen at the exchange rates in effect at the consolidated balance sheet date in accordance with generally accepted accounting principles and practices in Japan. Gains and losses resulting from translation of foreign currency financial statements are excluded from the consolidated statement of operation and are accumulated in "Foreign currency translation adjustments" or "Minority interests" as a separate component of net assets.

(d) Investments in securities other than those of subsidiaries and affiliates

Investments in securities other than those of subsidiaries and affiliates are classified as trading, held-to-maturity, available-for-sale securities or policy reserve-matching bonds. Available-for-sale securities with readily obtainable fair values ("marketable available-for-sale securities") and trading securities are stated at fair value. Unrealized gains and losses on trading securities are reported in the consolidated statement of operation. Unrealized gains and losses on marketable available-for-sale securities are reported in a separate component of net assets, net

of income taxes, unless the decline of the fair value of any particular available-for-sale securities is considered to be a permanent impairment, in which case such declines are recorded as devaluation (impairment) losses and recorded on the statement of operation. Held-to-maturity and available-for-sale securities without readily obtainable fair values are stated at amortized cost. Policy reserve-matching bonds are not stated at fair market value but are stated at amortized cost. For the purpose of computing realized gains and losses, the cost is determined using the moving-average method.

The following is an overview of the risk management policies over policy reserve-matching bonds:

For Taiyo Life, the risk is managed by minimizing the risks of the portfolio as a whole with an asset mix, and establishing an operation policy based on balanced-type ALM aiming at exceeding medium- and long-term liability cost. In consideration of this kind of operation policy, the following insurance policies are identified and classified as a subcategory in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy Reserve-Matching Bonds within the Insurance Industry” (JICPA, the Industry Audit Committee Report No. 21): (1) all policies except for “group insurance policies” and “other insurance policies” with respect to general assets, (2) all policies for “defined contribution corporate pension insurance” and “group pure endowment insurance” policies with respect to group annuity insurance assets, (3) all policies with respect to single premium whole life insurance assets, and (4) all policies with respect to non-participating single premium endowment insurance assets.

For Daido Life, of the bonds corresponding to the subcategory established in respect of the classes of insurance policies as follows, those held with the purpose to control durations of liabilities are classified as policy reserve-matching bonds, in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy Reserve-Matching Bonds within the Insurance Industry” (JICPA, the Industry Audit Committee Report No. 21): individual insurance and individual annuities with respect to general assets, and individual insurance and individual annuities in the non-participating insurance assets (capturing the cash flows likely to arise in the period after 5 years but within 20 years from now).

For T&D Financial Life, in order to appropriately manage interest rate risk by setting subcategories according to the features of insurance products, investment policies are developed in line with each subcategory. In addition, regular testing is performed to ensure that the durations of policy reserve and that of policy reserve-matching bonds are synchronized within a certain margin of error. The subcategories are classified as follows: (1) individual insurance (capturing the portion of the future spending for insurance policies falling under this

subcategory that is used for policyholders of predetermined age or above), (2) accumulation rate type individual insurance, and (3) accumulation rate type fixed annuity insurance. Note that certain types of insurance policies and benefits are excluded.

(e) Reserve for possible loan losses

The reserve for possible loan losses is established in accordance with the Three Life Insurance Companies’ Self-Assessment Guidelines. With respect to loans to borrowers subject to bankruptcy and similar proceedings, the Three Life Insurance Companies provide specific reserves in the amount of the loan balance less amounts collectible from collateral, guarantees and by other means. For loans to borrowers who are not yet bankrupt but highly likely to fall into bankruptcy, management determines and provides for the necessary specific reserve amount based on an overall assessment of the borrowers’ ability to pay after subtracting the amount collectible from collateral, guarantees and by other means. With respect to other loans, the Three Life Insurance Companies provide for a general reserve by applying the historical loan-loss ratio determined over a fixed period. Each loan is subject to asset assessment by the business-related division in accordance with the Three Life Insurance Companies’ Self-Assessment Guidelines, and the results of the assessment are reviewed by the internal auditing division, which is independent from the business-related division, before the reserve amount is finally determined.

For collateralized or guaranteed loans to borrowers subject to bankruptcy and similar proceedings, the amount of loans exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been deducted and the amount was ¥2,913 million (\$28,310 thousand) and ¥424 million for the years ended March 31, 2014 and 2013, respectively.

Other consolidated subsidiaries also establish reserves for possible loan losses using procedures in a similar manner as the Three Life Insurance Companies. The provision of the reserve is based on the results of self-assessment procedures and also provides for an amount, if management considered its necessity, by applying the historical loan-loss ratio determined over a fixed period.

(f) Reserve for price fluctuations

Pursuant to requirements under Article 115 of the Insurance Business Act, the Three Life Insurance Companies maintain a reserve for price fluctuations primarily related to stocks, bonds and foreign currency-denominated assets which are exposed to losses due to market price fluctuations. This reserve may only be used to reduce net losses arising from price fluctuations on those assets.

(g) Policy reserve

Pursuant to requirements under Article 116 of the Insurance Business Act, the Three Life Insurance Companies maintain a policy reserve for the fulfillment of future obligations under life insurance contracts. The reserve of the accompanying consolidated financial statements is established pursuant to the net level premium method. This method assumes a constant or level amount of net insurance premiums over the term of the relevant policy in calculating the amount of the reserve required to fund all future policy benefits. The net insurance premium is the portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, investment yield and policy cancellation rates, and excluding the portion covering administrative expenses. The reserves for policies subject to the standard policy reserve rules are calculated using interest and mortality rates set by the Financial Services Agency. For policies issued after April 2007, the net level premium reserve is calculated using an annual interest rate of 1.5% and the mortality rate specified in the Life Insurance Companies Standard Mortality Table 2007.

In addition to the above, to provide for any extraordinary risks which might arise in the future, the Three Life Insurance Companies are required to maintain a contingency reserve at an amount determined based on requirements under the Insurance Business Act.

(Additional information)

In accordance with Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, Taiyo Life provided an additional policy reserve for single premium endowment insurance policies which were contracted prior to March 31, 2013. Daido Life will also provide an additional policy reserve for certain types of individual annuity insurance policies for which annuity payments have already commenced. Daido Life will provide this additional policy reserve in a phased manner over 3 years.

As a result, policy reserve increased by ¥5,985 million (\$58,159 thousand) while ordinary profit and income before income taxes each decreased by ¥5,985 million (\$58,159 thousand).

(h) Reserve for bonus to directors and audit & supervisory board members

To provide for payment of the bonus to directors and audit & supervisory board members, the Company and its consolidated subsidiaries set up a reserve for the directors' and audit & supervisory board members' bonus based on the expected amount to be paid in the year ended March 31, 2014.

(i) Reserve for directors' and audit & supervisory board members' retirement benefits

To provide for the directors' and audit & supervisory board members' retirement benefits, reserve for directors' and audit & supervisory board members' retirement benefits is recorded in the amount recognized to have accrued as of March 31, 2014.

(j) Accounting method for employees' retirement benefits

For the calculation of retirement benefit obligations, the Company uses a method based on the benefit formula to attribute the expected benefit amounts to each period. Actuarial gains and losses, past service costs and losses relating to changes in accounting policies are recognized in profit or loss in the period when they arose.

(k) Income taxes

The Company applies the consolidated corporate tax system. The consolidated corporate tax system allows companies to pay taxes based on the combined profits or losses of a parent company and its wholly owned domestic subsidiaries.

The provision for income taxes is based on income recognized for financial statement purposes, which includes deferred income taxes representing the effects of temporary differences between income recognized for financial reporting purposes and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between assets and liabilities for financial reporting purposes and tax purposes using the statutory tax rate.

(l) Tangible fixed assets

Tangible fixed assets, except for lease assets, are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method for buildings acquired on and after April 1, 1998 and by the declining-balance method for other property and equipment, based on estimated useful lives ranging from 3 to 50 years for buildings and improvements and from 2 to 20 years for equipment.

Lease assets with respect to ownership-transfer finance leases are amortized under the same method as is applied to tangible fixed assets owned by the Company, and lease assets with respect to nonownership-transfer finance leases are amortized under the straight-line method over the lease term.

(m) Intangible fixed assets

Development costs for internal-use software are capitalized and amortized under the straight-line method over their estimated useful lives of 5 years.

Lease assets are amortized under the straight-line method over the lease term.

(n) Deferred Assets

Bond issuance cost is recorded in the statement of operation as an expense when incurred.

(o) Land revaluation

Taiyo Life revalued its land for operating purposes as of March 31, 2002, as permitted by the Land Revaluation Act, which became effective in 1998. In accordance with provisions under this act and related ordinances, the revaluation is a one-time event and subsequent valuation gains or losses after the initial revaluation are not reflected in the consolidated financial statements but are disclosed if additional valuation losses arise subsequent to the initial revaluation. Net revaluation gains or losses are not recorded on the statement of operation but as a separate component of net assets, net of income taxes. In the event that the Company sells a part of such revalued land, related revaluation gains or losses are transferred to retained earnings.

(p) Derivative financial instruments

Changes in the fair value of derivative instruments designated as fair value hedges are recognized in the consolidated statement of operation, whereas those designated as deferral hedges are reported in the net assets section of the consolidated balance sheet. However, if derivative instruments qualify for the special treatment, the Company applies that treatment in which changes in the fair value of derivative instruments are not recognized. Derivative financial instruments designated as special treatment are not revalued but the contractual rates of the derivative financial instruments are reflected in income or expense measurement of the hedged items. Changes in fair value of derivatives designated as fair value hedges are recognized in income as an offset to the fair value adjustments of the related hedged items. The fair value of instruments hedging anticipated transactions and referred to as deferral hedges are recognized in the consolidated balance sheet and are reclassified into the consolidated statement of operation when the related hedged item impacts income.

Taiyo Life applies deferral hedge accounting and fair value hedge accounting. Taiyo Life also applies the special treatment for interest rate swap agreements in cases where the special treatment requirements are met. The hedging instruments and hedged items for Taiyo Life are as follows:

a. Hedging instrument:	Interest rate swap
Hedged item:	Loan receivable, bonds
b. Hedging instrument:	Exchange contracts
Hedged item:	Foreign currency-denominated assets
c. Hedging instrument:	Option
Hedged item:	Domestic and foreign stocks, domestic and foreign listed investment trusts, domestic bonds
d. Hedging instrument:	Credit transaction
Hedged item:	Domestic and foreign stocks, domestic and foreign listed investment trusts
e. Hedging instrument:	Forward contracts
Hedged item:	Domestic and foreign stocks, domestic and foreign listed investment trusts

Taiyo Life's hedging policy is based on the internal rules and regulations developed under Taiyo Life's risk management policy concerning asset operations, and the cash flow- and price-fluctuation risks concerning hedged items are hedged within a certain scope. Taiyo Life measures effectiveness of hedging activities for each half-year period by performing a ratio analysis and other methods comparing the market movements or accumulated cash flow movements of the hedged items and the market movements or accumulated cash flow movements of the hedging instruments. However, evaluation of hedging effectiveness is omitted for interest rate swap agreements under the special treatment, etc., exchange contracts in which both the hedged items and the hedging instruments are denominated in the same currency, options hedging domestic and foreign stocks as well as domestic and foreign listed investment trusts, and options hedging credit transactions, forward contracts and domestic bonds.

Daido Life applies fair value hedge accounting. Daido Life also applies the method for translating foreign currency receivables and payables on the basis of yen value cash flow fixed by forward contract for exchange contract transactions hedging foreign currency deposits in cases where the transactions satisfy the requirements for the method. The hedging instrument and hedged item for Daido Life are follows:

Hedging instrument:	Exchange contracts
Hedged item:	Foreign currency-denominated available-for-sale securities and fixed deposit

Daido Life's hedging policy is based on the internal rules and regulations concerning asset operations, and exchange fluctuation risks of hedged items are hedged within a certain scope. Daido Life measures effectiveness of hedging activities by performing a ratio analysis of market value movement comparisons between the hedging instruments and the hedged items.

(q) Accounting for consumption taxes

Consumption taxes received or paid by the Company and its domestic consolidated subsidiaries are not included in income and expenses.

The net of consumption taxes received and paid are separately recorded on the consolidated balance sheet. Where consumption taxes paid are not fully credited against consumption taxes received, the noncredited portion is charged as an expense in the period in which the consumption taxes are paid. However, certain noncredited portions of consumption taxes paid, such as for the purchase of property and equipment, are not charged to expense but are deferred as prepaid expenses and amortized against income over a five-year period on a straight-line basis.

(r) Cash and cash equivalents

Cash equivalents consist of highly liquid investments without significant market risk, such as demand deposits and short-term investments with an original maturity of three months or less.

(s) Changes in accounting policies

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012) became applicable from the beginning of the consolidated fiscal year starting April 1, 2013. Accordingly, the Company applied these standards from the fiscal year ended March 31, 2014. Under the new standard, plan assets are deducted from the retirement benefit obligations and the net amount is recognized as net defined benefit liability. In addition, the Company reviewed its calculation method of retirement benefit obligations and service cost, and changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis.

Following Paragraph 37 of the “Accounting Standard for Retirement Benefits,” which stipulates transitional treatment of the new standard, the effect of the change in the calculation method of retirement benefit obligations and service costs is adjusted in retained earnings at the beginning of the fiscal year ended March 31, 2014.

As a result, retained earnings at the beginning of the fiscal year ended March 31, 2014 increased by ¥647 million (\$6,291 thousand). Ordinary profit and income before income taxes for the fiscal year ended March 31, 2014 each increased by ¥67 million (\$653 thousand).

The impact on per share information due to the above changes is presented in the corresponding section.

(t) Unadopted accounting standards, etc.

– “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013)

- “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013)
- “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013)
- “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2, issued on September 13, 2013)
- “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued on September 13, 2013)
- “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, issued on September 13, 2013)

(1) Summary

The revisions of these accounting standards mainly affect 1) changes in equity due to additional acquisition of ownership interest of subsidiaries that do not result in a change in control, 2) the accounting for acquisition related costs, 3) the presentation method of net income and changes from “minority interest” to “non-controlling interest,” and 4) provisional treatment of the new standards.

(2) Scheduled date of application

These accounting standards will be applied from the beginning of the fiscal year starting April 1, 2015. Tentative treatment of the new standards will be applied to business combinations that are implemented on and after the beginning of the fiscal year starting April 1, 2015.

(3) Effect of the application of the accounting standards

The amount of the effect is under evaluation at the time of preparing consolidated financial statements for the consolidated fiscal year ended March 31, 2014.

(u) Net assets per share

Net assets per share is computed based on the number of common stock outstanding at the end of each fiscal year.

(v) Net income per share

Net income per share is computed based on the weighted average number of common stock outstanding during each fiscal year.

(w) Appropriation of retained earnings

As in the past, the Company continues making an annual dividend payment approved by the Ordinary Shareholders’ Meeting. According to the Articles of Incorporation, semiannual interim dividend payment may be made by the resolution of the Board of Directors.

Note 3 U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the readers and have been made, as a matter of arithmetical computation only, at the rate of ¥102.92 = U.S.\$1, which was the approximate rate prevailing at March 31, 2014.

The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

Note 4 Loans

Delinquent loans of the Company and its consolidated subsidiaries as of March 31, 2014 and 2013 are summarized as follows:

As of March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Loans to bankrupt companies	¥ 310	¥ 325	\$ 3,016
Past due loans	598	4,051	5,814
Loans overdue for three months or more	3,051	3,162	29,651
Restructured loans	34	2,546	334
Total	¥3,994	¥10,087	\$38,815

“Loans to bankrupt companies” are loans to borrowers that are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings on which the Company and its consolidated subsidiaries have stopped accruing interest after determining that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.

“Past due loans” are loans, other than those categorized as “Loans to bankrupt companies” and loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting the borrower, on which the Company and its consolidated subsidiaries have stopped accruing interest based on self-assessment.

“Loans overdue for three months or more” are loans other than those categorized as “Loans to bankrupt companies” or “Past due loans” for which principal and/or interest are overdue for three months or more.

“Restructured loans” are loans other than those categorized as

“Loans to bankrupt companies,” “Past due loans” or “Loans overdue for three months or more” for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims and/or other terms in favor of the borrower for purposes of restructuring or supporting of the borrower.

With respect to “Loans to bankrupt companies” and “Past due loans” that are covered by collateral and guarantees, the Company and its consolidated subsidiaries write off the portion of such loans that is not collectible from collateral and guarantees, and charge such amounts to the reserve for possible loan losses. Write-offs relating to bankrupt companies for the years ended March 31, 2014 and 2013 amounted to ¥99 million (\$968 thousand) and ¥132 million, respectively. Write-offs relating to past due loans for the years ended March 31, 2014 and 2013 amounted to ¥2,653 million (\$25,782 thousand) and ¥153 million, respectively.

Note 5 Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of March 31, 2014 and 2013 was ¥221,215 million (\$2,149,388 thousand) and ¥222,656 million, respectively.

Note 6 Separate Accounts

The consolidated balance sheet includes ¥529,637 million (\$5,146,106 thousand) and ¥892,518 million of assets and liabilities in equal amounts related to separate accounts as of March 31, 2014 and 2013, respectively.

Separate account assets and liabilities reported in the accompanying consolidated balance sheet represents funds that are administered and invested by the Three Life Insurance Companies to meet specific investment objectives of the policyholders. All gains and losses relating to separate account assets and liabilities are offset by a corresponding provision for or reversal of policy reserve; therefore, they do

not affect the Three Life Insurance Companies' net income. Separate accounts are established in conformity with the Insurance Business Act. The assets of each account are separately managed to identify investment results of each such account, although they are not legally segregated in terms of their treatment in case of bankruptcy of the insurance company.

Securities invested under the separate accounts are deemed as trading securities and stated at fair value. Cost is determined by the moving-average method.

Note 7 Reserve for Policyholder Dividends

An analysis of the reserve for policyholder dividends included in policy reserves for the years ended March 31, 2014 and 2013 is as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Balance at the beginning of the period	¥118,721	¥124,358	\$1,153,530
Policyholder dividends	(36,698)	(37,025)	(356,569)
Increase in interest	129	190	1,260
Decrease due to other reasons	(9)	(0)	(94)
Provision for reserve for policyholder dividends	31,638	31,197	307,404
Balance at the end of the period	¥113,781	¥118,721	\$1,105,531

Note 8 Bonds

Bonds are subordinated bonds, the payment priority of which is subordinated to other payables.

Note 9 Other Liabilities

Other liabilities included ¥83,500 million (\$811,309 thousand) and ¥53,500 million of subordinated borrowings as of March 31, 2014 and 2013, respectively.

Note 10 Commitments

The amounts of future contributions to the Policyholder Protection Corporation, which are estimated in accordance with Article 259 of the Insurance Business Act, were ¥24,361 million (\$236,707 thousand) and ¥25,059 million as of March 31, 2014 and 2013, respectively. The contributions are recorded on the statement of operation as an operating expense when paid, as the amount of future contributions is not yet fixed.

A total of ¥143,663 million (\$1,395,880 thousand) of the Three Life Insurance Companies' investments in securities was mainly pledged as

collateral for the overdraft limit of the exclusive account of real-time gross settlement of government bonds with the Bank of Japan and as a substitution of collateral for margin for futures contracts as of March 31, 2014.

A total of ¥137,302 million of the Three Life Insurance Companies' investments in securities was mainly pledged as collateral for the overdraft limit of the exclusive account of real-time gross settlement of government bonds with the Bank of Japan and as a substitution of collateral for margin for futures contracts as of March 31, 2013.

Note 11 Organizational Change Surplus

The organizational change surplus, which is the portion of net assets attributable to contributions by past policyholders as of the date of the demutualization of Taiyo Life and Daido Life and whose distribution is restricted by Article 91 of the Insurance Business Act, amounted to

¥63,158 million (\$613,664 thousand) and ¥63,158 million for Taiyo Life and ¥10,836 million (\$105,289 thousand) and ¥10,836 million for Daido Life as of March 31, 2014 and 2013, respectively.

Note 12 Investments in Affiliates

Securities included ¥272 million (\$2,647 thousand) and ¥219 million of investments in affiliates as of March 31, 2014 and 2013, respectively.

Note 13 Impairment Losses on Fixed Assets

Impairment losses on fixed assets for the year ended March 31, 2014 and 2013 are as follows:

(1) Categorization of assets

The Three Life Insurance Companies categorize real estate owned for insurance operations as a single asset group. Other assets such as rental property and unused real estate are categorized separately. Each of the other consolidated subsidiaries categorizes real estate held for its own operations as a single category.

(2) Background of impairment losses

Because the recoverable amount fell below the book value for an asset group of some insurance companies owned for insurance operations, impairment losses were recognized for the difference between the book value and the recoverable amount and reported in extraordinary losses as "impairment losses."

And, because of decreases in fair market value and rental income for some rental properties, impairment losses were recognized for the difference between the book value and the recoverable amount and reported in extraordinary losses as "impairment losses."

(3) Impairment losses by asset group

		Impairment loss				US\$ thousands
Year ended March 31, 2014						¥ millions
Asset	Location, etc.	Internal-use software	Land	Buildings	Total	Total
Insurance operations	(Minato-ku, Tokyo, etc.)	¥300	¥ —	¥ 1	¥ 301	\$ 2,932
Rental properties	10 assets (Suita City, Osaka Prefecture, etc.)	—	2,402	1,262	3,665	35,613

		Impairment loss				US\$ thousands
Year ended March 31, 2013						¥ millions
Asset	Location, etc.	Internal-use software	Land	Buildings	Total	Total
Insurance operations	(Minato-ku, Tokyo, etc.)	¥468	¥ —	¥ 9	¥477	
Rental properties	7 assets (Nagoya City, Aichi Prefecture, etc.)	—	136	106	242	

(4) Method of calculating recoverable amount

The recoverable amount is based on the value in use for real estate owned for insurance operations and the value in use or net realizable value for rental properties. The value in use for real estate owned for insurance operations is calculated by discounting future cash flows from 0.08% to 0.11% for the year ended March 31, 2014 and 0.04%

to 0.09% for the year ended March 31, 2013. The value in use for real estate owned for rental properties is calculated by discounting future cash flows by 6.0% for the year ended March 31, 2014. In principle, the net realizable value is calculated by subtracting the estimated costs of disposal from appraisal value calculated in accordance with the real estate appraisal standard.

Note 14 Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effect regarding other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

Years ended March 31,	2014	2013	2014
	¥ millions	US\$ thousands	
Net unrealized gains on securities:			
Net unrealized gains during the fiscal year	¥ 52,217	¥278,234	\$ 507,358
Reclassification adjustments	(3,407)	(2,841)	(33,105)
Amount before tax effect	48,810	275,393	474,253
Tax effect	(12,577)	(81,626)	(122,206)
Net unrealized gains on securities	36,232	193,766	352,047
Deferred gains (losses) on hedging instruments:			
Deferred gains (losses) during the fiscal year	3,034	(12,579)	29,481
Reclassification adjustments	573	4	5,574
Amount before tax effect	3,607	(12,574)	35,055
Tax effect	(1,107)	3,860	(10,762)
Deferred gains (losses) on hedging instruments	2,500	(8,714)	24,293
Foreign currency translation adjustments:			
Translation adjustments during the fiscal year	1	100	15
Share of other comprehensive income of associates accounted for using the equity method:			
Share of other comprehensive income during the fiscal year	28	10	274
Total other comprehensive income	¥ 38,762	¥185,163	\$ 376,630

Note 15 Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2014

(1) Type and number of shares issued and treasury shares

Year ended March 31, 2014	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Shares issued:				
Common stock	681,480,000	—	—	681,480,000
Treasury stock:				
Common stock	7,157,560	2,132,684	77,950	9,212,294

Notes 1: Treasury stock increased due to the following reasons: 2,125,300 shares by the repurchase of the Company's shares based on the corporate resolution on May 15, 2013 and 7,384 shares by purchasing odd-lot shares.

2: Treasury stock decreased due to the following reasons: 77,800 shares by exercising the stock options and 150 shares by accepting requests for the purchase of odd-lot shares.

(2) Information of subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year	
		¥ millions	US\$ thousands
The Company	Share subscription rights as stock options	¥523	\$5,089

(3) Information of shareholder dividends

The amount of shareholder dividends is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands	¥	US\$		
Ordinary Shareholders' Meeting held on June 26, 2013	Common stocks	¥15,172	\$147,417	¥22.5	\$0.21	March 31, 2013	June 27, 2013

The amount of shareholder dividends that is affected in the year ending March 31, 2015 while its record date is in the year ended March 31, 2014 is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends		Underlying assets	Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands		¥	US\$		
Ordinary Shareholders' Meeting held on June 26, 2014	Common stocks	¥16,806	\$163,298	Retained earnings	¥25.0	\$0.24	March 31, 2014	June 27, 2014

For the year ended March 31, 2013

(1) Type and number of shares issued and treasury shares

Year ended March 31, 2013	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Shares issued:				
Common stock	681,480,000	—	—	681,480,000
Treasury stock:				
Common stock	7,153,864	3,956	260	7,157,560

Notes 1: Treasury stock increased by 3,956 shares due to purchasing odd-lot shares.

2: Treasury stock decreased by 260 shares due to accepting requests for the purchase of odd-lot shares.

(2) Information of subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions
The Company	Share subscription rights as stock options	¥307

(3) Information of shareholder dividends

The amount of shareholder dividends is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends	Shareholder dividends per share	Record date	Effective date
		¥ millions	¥		
Ordinary Shareholders' Meeting held on June 27, 2012	Common stocks	¥15,172	¥22.5	March 31, 2012	June 28, 2012

The amount of shareholder dividends that is affected in the year ended March 31, 2014 while its record date is in the year ended March 31, 2013 is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends	Underlying assets	Shareholder dividends per share	Record date	Effective date
		¥ millions		¥		
Ordinary Shareholders' Meeting held on June 26, 2013	Common stocks	¥15,172	Retained earnings	¥22.5	March 31, 2013	June 27, 2013

Note 16 Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and cash deposits as stated in the consolidated balance sheet as of March 31, 2014 and 2013:

	¥ millions		US\$ thousands
As of March 31,	2014	2013	2014
Cash and deposits	¥ 378,331	¥ 414,470	\$ 3,675,976
Less: deposits with an original maturity of more than three months	(5,510)	(35,030)	(53,539)
Call loans	187,600	338,100	1,822,774
Monetary claims purchased	451,083	304,101	4,382,852
Less: monetary claims purchased other than cash and cash equivalents	(227,489)	(257,625)	(2,210,356)
Securities purchased	10,211,280	10,168,725	99,215,705
Less: securities purchased other than cash and cash equivalents	(10,168,183)	(10,082,632)	(98,796,967)
Cash and cash equivalents	¥ 827,111	¥ 850,108	\$ 8,036,446

Note 17 Lease Transactions

(1) As lessee

There are no ownership-transfer finance leases as of March 31, 2014 and 2013.

Regarding nonownership-transfer finance leases, lease assets include office appliances such as computer servers as tangible fixed assets and software as intangible fixed assets. These assets are amortized under the straight-line method over the lease term.

Future minimum lease payments under noncancellable operating leases as of March 31, 2014 and 2013 were as follows:

		¥ millions	US\$ thousands
As of March 31,	2014	2013	2014
Due within one year	¥2	¥ 8	\$24
Due after one year	2	1	24
Total	¥5	¥10	\$48

(2) As lessor

Lease investment assets as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	US\$ thousands
As of March 31,	2014	2013	2014
Other:			
Lease income receivables	¥33,906	¥34,734	\$329,449
Estimated residual value	362	300	3,522
Interest income	(3,231)	(3,704)	(31,402)
Total lease investment assets	¥31,037	¥31,330	\$301,568

Projected collection periods and amounts of lease income receivables related to lease receivables and lease investment assets after the fiscal years ended March 31, 2014 and 2013 are as follows:

	¥ millions		US\$ thousands	
	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
As of March 31, 2014				
Due within one year	¥1,439	¥9,114	\$13,989	\$88,560
Due after one year through two years	1,232	7,408	11,971	71,979
Due after two years through three years	1,026	5,910	9,974	57,425
Due after three years through four years	849	4,489	8,249	43,625
Due after four years through five years	625	3,058	6,081	29,712
Due after five years	1,029	3,925	9,998	38,145

	¥ millions	
	Lease receivables	Lease investment assets
As of March 31, 2013		
Due within one year	¥1,317	¥9,613
Due after one year through two years	1,110	7,703
Due after two years through three years	908	5,964
Due after three years through four years	720	4,440
Due after four years through five years	554	3,002
Due after five years	914	4,009

Note 18 Related Party Transactions

There are no applicable transactions with related parties or notes on the parent company and affiliated companies for the years ended March 31, 2014 and 2013.

Note 19 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to corporate (national) and inhabitants (local) taxes based on income. A reconciliation between the effective tax rate and the statutory tax rate is as follows:

Years ended March 31,	2014	2013
Statutory tax rate	33.3%	33.3%
Valuation allowance	(0.3)	(4.3)
Permanent difference items including entertainment expense, etc.	0.6	0.7
Adjustment of deferred tax assets due to the change in statutory tax rate	2.0	—
Difference in rate for special corporate tax for reconstruction	—	1.1
Others, net	0.5	0.5
Effective tax rate	36.1%	31.3%

Adjustment of deferred tax assets and liabilities due to the changes in the statutory tax rate:

Following the promulgation on March 31, 2014 of the Act on Partial Revision of the Income Tax Act, etc., the special corporation tax for reconstruction will not be imposed on and after the fiscal year starting April 1, 2014. In accordance, as for the calculation of deferred tax assets and liabilities for the fiscal year ended March 31, 2014, the

statutory tax rate applied for the temporary differences expected to be reversed for the fiscal year starting April 1, 2014 has been changed from 33.3% in the previous fiscal year to 30.7%. As a result, deferred income taxes increased by ¥1,931 million (\$18,764 thousand), net income decreased by ¥1,930 million (\$18,755 thousand) and deferred tax assets decreased by ¥1,863 million (\$18,102 thousand).

Significant components of deferred tax assets and liabilities of the Company and consolidated subsidiaries as of March 31, 2014 and 2013 are summarized below:

As of March 31,	2014	¥ millions 2013	US\$ thousands 2014
Deferred tax assets:			
Policy reserves	¥ 70,163	¥ 71,403	\$ 681,727
Reserve for price fluctuations	46,055	38,660	447,484
Reserve for employees' retirement benefits	—	36,144	—
Net defined benefit liability	33,010	—	320,740
Devaluation losses on securities	17,633	17,995	171,327
Deferred losses on disposal of fixed assets	4,199	3,367	40,805
Reserve for bonus payments	2,532	2,769	24,606
Tax loss carryforward	1,803	2,058	17,525
Reserve for possible loan losses	1,331	1,904	12,933
Others	15,471	17,374	150,322
Subtotal	192,200	191,679	1,867,473
Valuation allowance	(24,954)	(25,183)	(242,464)
Total deferred tax assets	167,246	166,495	1,625,009
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(159,593)	(147,014)	(1,550,652)
Deferred gain on reduction of book value of real estate	(2,152)	(727)	(20,913)
Accrued dividend income	(1,668)	(1,699)	(16,212)
Others	(337)	(496)	(3,276)
Total deferred tax liabilities	(163,751)	(149,937)	(1,591,055)
Net deferred tax assets (liabilities)	¥ 3,494	¥ 16,558	\$ 33,954
Amounts recognized in consolidated balance sheet:			
Assets	¥ 6,592	¥ 20,311	\$ 64,054
Liabilities	3,097	3,753	30,100
	¥ 3,494	¥ 16,558	\$ 33,954

Note 20 Financial Instruments

Being primarily focused on life insurance business, the T&D Life Group underwrites various classes of life insurance, and invests the money collected as insurance premiums in financial assets including securities and loans. The Group's policy of asset management is to efficiently invest, under stringent risk management, the insurance premiums trusted to us by policyholders in a portfolio built up to ensure long-term stable returns in accordance with the concept of overall asset-liability management (ALM) taking into account the long-term obligations involved in life insurance policies, paying adequate attention to the soundness of management and public welfare. Derivative financial instruments are basically used to hedge fluctuation risks involved in our investment in financial instruments, as well as partially to complement physical assets. Furthermore, in order to pursue a further strength of financial soundness, the Group has been financing the subordinated-class capital (bonds and borrowings).

Financial assets held by the Group mainly comprise securities and loans. Securities here include public and corporate bonds, stocks and investment trusts offered at home and abroad that are held on a long-term basis for the purpose of investment geared to market prospects to ensure stable returns. These financial instruments are exposed to credit risks of the issuing entities and market risks associated with fluctuations in interest rate, exchange rates and stock prices, as well as market liquidity risks. Loans here include policy loans for policyholders and commercial loans (non-policy loans) provided mainly to domestic businesses and individuals. Commercial loans, though intended to ensure stable returns, are exposed to credit risks of borrowers' default. A policy loan is provided within the surrender value of each insurance policy, thus its credit risk is minimal. Derivative transactions including stock index futures contracts, forward exchange contracts and interest rate swap agreements are used primarily to hedge price fluctuation risks of our financial assets, and partially to complement physical assets by, for example, providing a solution to the time constraint prior to the inclusion of physical assets into our portfolio. Accordingly, the Group does not enter into those transactions for speculative purposes. Stringent risk management is in place for derivative transactions, by clearly defining tolerable allowances in terms of nature, underlying assets and trading limits of the transactions as well as by properly controlling their status. Hedge accounting is appropriately practiced in interest rate swap agreements for loans and forward exchange contracts for foreign currency denominated assets, under the internal rules clearly defining qualifications, applicable types of transactions, methods of evaluation of its effectiveness and methods of its designation. Effectiveness of hedging is determined by ratio analysis methodology comparing the movements of fair market values of the hedged items and hedging instruments.

The Group, in consideration of the social and public nature of the life insurance business which is its core business, defines precise identification and management of risks as one of the crucial management tasks for ensuring the soundness and adequacy of management, where the Company, as the Group's holding company, has developed a "Group Risk Management Policy" which sets out the basic risk management philosophy within the Group and provides the risk management structure according to business characteristics and risk profiles at each of the Three Life Insurance Companies. Under such a context, the Group Risk Management Committee is in place for the purpose of coordinated management of risks within the Group, and has a clear understanding of the status of various risks at each of the Three Life Insurance Companies, through reports prepared on a regular or as-needed basis at each company using the unified risk management criteria. Meanwhile, the Company, by providing guidance and advice as appropriate to the Three Life Insurance Companies, is tackling the enhancement of risk management at each company as well as across the Group. At each of the Three Life Insurance Companies, a committee has been established to supervise company-wide risk management at an enhanced level, while a mutual check-and-balance system is in place under the internal organizational arrangement including the separation of the investment and loan execution function from the administration function within the investment division, independence of the credit check function and implementation of the internal audits by the internal audit department. Furthermore, risks are managed integrally with profit and capital on an economic value basis by a committee in charge of ERM. Through the promotion and enhancement of ERM, the Group aims for steady and sustainable growth in its corporate value.

Market risks are properly controlled according to the risk characteristic of each asset based on a precise understanding of the sensitivity of investment assets to parameters reflecting changes in the investment environment, including interest rate, stock prices and exchange rates, as well as by reviewing asset allocation and risk hedging based on identification of the overall risk of the portfolio using the Value at Risk criterion (hereafter referred to as "VaR").

Credit risk of the entire portfolio is identified and controlled through its quantification by the use of VaR based on an internal rating for individual borrowers. Meanwhile, the aggregate amount of investment and loans is capped by each industry sector or by group of companies, according to the corresponding risks, whereby concentration of loans to specific industry sectors or groups of companies is restrained.

Liquidity risks are managed by ensuring a constant amount of liquidity based on the risk management department's precise understanding of the latest risk information, including the share of highly

liquid assets, cash flow situation, trends of the general financial/securities markets and status of individual financial instruments, as well as developing a management structure that enables smooth liquidation of assets for financing.

The fair value amounts were based on market prices. If market prices were not readily available, management estimated a fair value

using certain valuation methodologies. Estimation of fair value requires the use of certain assumptions and valuation methodologies. The use of different assumptions and valuation methodologies may have a significant effect on the derived fair value amounts. In addition, notional amounts of derivative financial instruments shown in the following table do not represent exposure to market risks.

The following tables show carrying amounts, fair value amounts and differences for financial instruments held as of March 31, 2014 and 2013. Financial instruments without readily obtainable fair value are not included.

As of March 31, 2014	Carrying amount	Fair value	Difference
	¥ millions		
Cash and deposits:			
Treated as securities	¥ 63,000	¥ 63,000	¥ —
Available-for-sale securities	63,000	63,000	—
Others	315,331	315,331	—
Total cash and deposits	378,331	378,331	—
Call loans	187,600	187,600	—
Monetary claims purchased:			
Treated as securities	449,674	455,444	5,769
Held-to-maturity bonds	93,291	99,061	5,769
Available-for-sale securities	356,382	356,382	—
Others	1,408	1,497	88
Total monetary claims purchased	451,083	456,941	5,858
Monetary trusts:			
Monetary trusts for trading purposes	14,689	14,689	—
Monetary trusts for held-to-maturity purposes	11,502	11,504	2
Monetary trusts for policy reserve-matching purposes	183,362	184,383	1,021
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	4,053	4,053	—
Total monetary trusts	213,608	214,632	1,023
Securities:			
Trading securities	608,247	608,247	—
Held-to-maturity bonds	1,497,303	1,609,087	111,783
Policy reserve-matching bonds	2,558,611	2,740,808	182,197
Available-for-sale securities	5,212,578	5,212,578	—
Total securities	9,876,741	10,170,722	293,980
Loans:			
Policy loans *1	148,142	163,758	15,624
Commercial loans *1	1,730,332	1,776,166	47,797
Reserve for possible loan losses *2	(1,972)	—	—
Total loans	1,876,501	1,939,924	63,422
Total assets	12,983,866	13,348,151	364,285
Short-term debentures	2,999	2,999	—
Subordinated bonds	65,100	65,497	397
Borrowings within other liabilities	116,042	116,659	617
Total liabilities	184,141	185,156	1,014
Derivative financial instruments *3:			
Hedge accounting not applied	1,026	1,026	—
Hedge accounting applied	(33,560)	(32,629)	930
Total derivative financial instruments	¥ (32,533)	¥ (31,603)	¥ 930

As of March 31, 2014	US\$ thousands		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Treated as securities	\$ 612,125	\$ 612,125	\$ —
Available-for-sale securities	612,125	612,125	—
Others	3,063,850	3,063,850	—
Total cash and deposits	3,675,976	3,675,976	—
Call loans	1,822,774	1,822,774	—
Monetary claims purchased:			
Treated as securities	4,369,164	4,425,224	56,060
Held-to-maturity bonds	906,449	962,509	56,060
Available-for-sale securities	3,462,715	3,462,715	—
Others	13,688	14,548	860
Total monetary claims purchased	4,382,852	4,439,773	56,920
Monetary trusts:			
Monetary trusts for trading purposes	142,732	142,732	—
Monetary trusts for held-to-maturity purposes	111,761	111,781	20
Monetary trusts for policy reserve-matching purposes	1,781,599	1,791,526	9,926
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	39,386	39,386	—
Total monetary trusts	2,075,479	2,085,426	9,946
Securities:			
Trading securities	5,909,909	5,909,909	—
Held-to-maturity bonds	14,548,226	15,634,349	1,086,122
Policy reserve-matching bonds	24,860,198	26,630,477	1,770,278
Available-for-sale securities	50,646,897	50,646,897	—
Total securities	95,965,232	98,821,633	2,856,401
Loans:			
Policy loans *1	1,439,390	1,591,119	151,813
Commercial loans *1	16,812,403	17,257,735	464,415
Reserve for possible loan losses *2	(19,167)	—	—
Total loans	18,232,626	18,848,855	616,228
Total assets	126,154,943	129,694,440	3,539,497
Short-term debentures	29,142	29,142	—
Subordinated bonds	632,530	636,390	3,860
Borrowings within other liabilities	1,127,497	1,133,498	6,000
Total liabilities	1,789,169	1,799,030	9,861
Derivative financial instruments *3:			
Hedge accounting not applied	9,974	9,974	—
Hedge accounting applied	(326,080)	(317,040)	9,040
Total derivative financial instruments	\$ (316,106)	\$ (307,066)	\$ 9,040

*1: Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in balance sheet and its current fair value.

*2: Reserve for possible loan losses for loans is deducted.

*3: Assets and liabilities arising from derivatives transactions are shown at net value. (In the case of net liabilities, amounts are shown in parentheses.)

As of March 31, 2013	Carrying amount	Fair value	¥ millions Difference
Cash and deposits:			
Treated as securities	¥ 59,000	¥ 59,000	¥ —
Available-for-sale securities	59,000	59,000	—
Others	355,470	355,470	—
Total cash and deposits	414,470	414,470	—
Call loans			
Call loans	338,100	338,100	—
Monetary claims purchased:			
Treated as securities	302,635	309,627	6,992
Held-to-maturity bonds	105,244	112,236	6,992
Available-for-sale securities	197,390	197,390	—
Others	1,466	1,571	104
Total monetary claims purchased	304,101	311,198	7,097
Monetary trusts:			
Monetary trusts for trading purposes	22,138	22,138	—
Monetary trusts for held-to-maturity purposes	1,599	1,599	0
Monetary trusts for policy reserve-matching purposes	29,395	29,494	99
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	15,233	15,233	—
Total monetary trusts	68,365	68,466	100
Securities:			
Trading securities	965,670	965,670	—
Held-to-maturity bonds	1,572,349	1,706,499	134,150
Policy reserve-matching bonds	2,471,657	2,683,770	212,113
Available-for-sale securities	4,827,354	4,827,354	—
Total securities	9,837,031	10,183,295	346,264
Loans:			
Policy loans *1	155,144	171,668	16,532
Commercial loans *1	1,715,350	1,763,784	55,286
Reserve for possible loan losses *2	(6,861)	—	—
Total loans	1,863,633	1,935,452	71,818
Total assets	12,825,702	13,250,983	425,280
Short-term debentures	999	999	—
Subordinated bonds	45,100	45,528	428
Borrowings within other liabilities	86,710	87,429	719
Total liabilities	132,809	133,957	1,147
Derivative financial instruments *3:			
Hedge accounting not applied	5,626	5,626	—
Hedge accounting applied	(42,485)	(40,963)	1,521
Total derivative financial instruments	¥ (36,859)	¥ (35,337)	¥ 1,521

*1: Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in balance sheet and its current fair value.

*2: Reserve for possible loan losses for loans is deducted.

*3: Assets and liabilities arising from derivatives transactions are shown at net value. (In the case of net liabilities, amounts are shown in parentheses.)

The following methods and assumptions were used to estimate the fair value of financial instruments.

Cash and deposits—Mainly recorded in book values as their market values are proximate to the book values.

Call loans—Recorded in book values as these are settled in a short period of time, thus their market values are proximate to the book values.

Monetary claims purchased—Those that are reasonably deemed appropriate to treat as securities are recorded in the same way as

securities, while others that are reasonably deemed appropriate to treat as loan receivable are recorded in the same way as loans.

Monetary trusts—Monetary trusts which are mainly invested in securities are recorded in the same way as securities. In addition, currency options and stock index option contracts are used as part of monetary trusts for investment purpose, and for these transactions, market values are calculated based on prices quoted by the financial institutions concerned.

Securities—Market values of securities are mainly based on their prices quoted on the stock exchange concerned, while those of bonds are based either on the statistics for reference published by the Japan Securities Dealers Association, or on the prices quoted by the underwriting financial institutions. Market values of investment trusts are based on the published base values.

Loans—For policy loans, market values are calculated by discounting by risk-free rate, the expected future cash flow derived from the repayment rate based on the past actual repayment performance. Commercial loans are basically recorded at book values as their market values are proximate to the book values, unless borrowers' credit standings significantly change after loans were provided. Market values of loans provided at fixed rates are calculated by discounting principal and interest by risk-free rates weighted by credit risks involved. Since estimated bad

debts associated with loans to Bankrupt Debtors, loans to Effectively Bankrupt Debtors and loans to Potentially Bankrupt Debtors, are calculated based on the present value of the estimated future cash flows, or estimated amounts recoverable through pledge or guarantee, their market values are proximate to consolidated balance sheet amounts less estimated bad debts as at the balance sheet date, which are recorded as market values. However, compound financial instruments are based on their prices quoted by the underwriting financial institutions.

Short term debentures—Recorded in book values as these are settled in a short period of time, thus their market values are proximate to the book values.

Subordinated bonds and borrowings—Market values are calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.

The carrying amounts of financial instruments without readily obtainable fair value held as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	US\$ thousands
As of March 31,	2014	2013	2014
Investments in affiliates	¥ 272	¥ 219	\$ 2,647
Available-for-sale securities:			
Unlisted stocks	124,441	121,450	1,209,104
Foreign securities	193,528	191,924	1,880,373
Other securities	16,297	18,100	158,347
Total available-for-sale securities	¥334,266	¥331,475	\$3,247,825

Note: Impairment losses with respect to the unlisted stocks without readily obtainable fair value for the years ended March 31, 2014 and 2013 in the amount of ¥1,369 million (\$13,304 thousand) and ¥2,318 million, respectively, were charged to expenses.

The carrying amounts or principal amounts at March 31, 2014 and 2013, of monetary claims and fixed maturity securities by contractual maturity date are as follows:

	¥ millions			
As of March 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	¥377,477	¥ 400	¥ —	¥ —
Call loans	187,600	—	—	—
Monetary claims purchased	223,661	8,744	2,150	208,630
Securities:				
Held-to-maturity bonds				
Government bonds	70,348	84,409	459,301	572,541
Municipal bonds	—	100	14,195	39,744
Corporate bonds	16,497	26,851	58,185	183,375
Policy reserve-matching bonds				
Government bonds	12,545	99,459	164,478	1,370,350
Municipal bonds	33,408	67,424	16,910	83,430
Corporate bonds	49,750	115,874	106,780	428,830
Available-for-sale fixed maturity securities				
Government bonds	105,126	115,634	87,354	191,865
Municipal bonds	97,527	157,876	50,010	22,030
Corporate bonds	100,961	519,414	318,475	163,559
Foreign securities	120,183	445,200	910,294	372,605
Other securities	7	82	39	—
Loans	244,298	871,380	395,876	208,254

	US\$ thousands			
As of March 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	\$3,667,680	\$ 3,886	\$ —	\$ —
Call loans	1,822,774	—	—	—
Monetary claims purchased	2,173,163	84,962	20,893	2,027,114
Securities:				
Held-to-maturity bonds				
Government bonds	683,521	820,141	4,462,699	5,562,976
Municipal bonds	—	971	137,931	386,167
Corporate bonds	160,293	260,891	565,342	1,781,730
Policy reserve-matching bonds				
Government bonds	121,890	966,371	1,598,115	13,314,710
Municipal bonds	324,601	655,110	164,302	810,629
Corporate bonds	483,385	1,125,864	1,037,504	4,166,634
Available-for-sale fixed maturity securities				
Government bonds	1,021,437	1,123,540	848,756	1,864,215
Municipal bonds	947,604	1,533,972	485,914	214,049
Corporate bonds	980,971	5,046,774	3,094,401	1,589,188
Foreign securities	1,167,735	4,325,694	8,844,680	3,620,338
Other securities	68	796	387	—
Loans	2,373,668	8,466,580	3,846,446	2,023,457

Note: Securities without contractual maturity date at March 31, 2014 in the amount of ¥387,026 million (\$3,760,456 thousand) are not included. Also loans without contractual maturity date such as policy loans at March 31, 2014 in the amount of ¥158,643 million (\$1,541,425 thousand) are not included.

	¥ millions			
As of March 31, 2013	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	¥411,699	¥ 200	¥ —	¥ —
Call loans	338,100	—	—	—
Monetary claims purchased	48,232	7,345	4,293	238,363
Securities:				
Held-to-maturity bonds				
Government bonds	108,104	83,338	448,749	571,500
Municipal bonds	13,420	100	13,495	40,992
Corporate bonds	22,328	41,717	38,116	213,692
Policy reserve-matching bonds				
Government bonds	19,764	25,966	152,764	1,342,443
Municipal bonds	12,281	91,796	15,746	89,330
Corporate bonds	61,584	139,464	96,940	418,030
Available-for-sale fixed maturity securities				
Government bonds	122,260	104,443	70,907	205,431
Municipal bonds	46,281	225,345	79,090	25,294
Corporate bonds	94,232	467,124	362,030	219,159
Foreign securities	149,839	330,946	507,224	391,522
Other securities	2,002	94	20	—
Loans	224,571	925,934	359,261	183,609

Note: Securities without contractual maturity date at March 31, 2013 in the amount of ¥333,807 million are not included. Also loans without contractual maturity date such as policy loans at March 31, 2013 in the amount of ¥173,064 million are not included.

The carrying amounts of bonds and borrowings at March 31, 2014 and 2013, by contractual maturity date, are as follows:

							¥ millions
As of March 31, 2014	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term debenture	¥ 3,000	¥ —	¥ —	¥ —	¥ —	¥ —	
Subordinated bonds	—	—	—	—	—	65,100	
Borrowings within other liabilities	11,364	8,566	6,022	4,256	1,884	83,950	

							US\$ thousands
As of March 31, 2014	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term debenture	\$ 29,148	\$ —	\$ —	\$ —	\$ —	\$ —	
Subordinated bonds	—	—	—	—	—	632,530	
Borrowings within other liabilities	110,415	83,229	58,511	41,352	18,305	815,682	

							¥ millions
As of March 31, 2013	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term debenture	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —	
Subordinated bonds	—	—	—	—	—	45,100	
Borrowings within other liabilities	11,012	9,192	6,394	3,850	2,084	54,178	

Note 21 Investments in Securities

Investments in trading securities held by the Company and its consolidated subsidiaries as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	US\$ thousands
As of March 31,		2014	2013
Valuation difference charged to earnings (losses)		¥7,479	¥81,082
			\$72,675

Investments in held-to-maturity bonds as of March 31, 2014 and 2013 are summarized as follows:

				¥ millions
As of March 31, 2014		Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:				
Domestic bonds:				
Government bonds		¥1,118,347	¥1,205,275	¥ 86,927
Municipal bonds		54,754	58,809	4,055
Corporate bonds		277,453	298,604	21,151
Total domestic bonds		1,450,555	1,562,689	112,134
Other securities		91,291	97,067	5,775
Total		1,541,846	1,659,756	117,909
Items with fair value not exceeding carrying amount:				
Domestic bonds:				
Government bonds		46,748	46,398	(350)
Municipal bonds		—	—	—
Corporate bonds		—	—	—
Total domestic bonds		46,748	46,398	(350)
Other securities		2,000	1,994	(6)
Total		48,748	48,392	(356)
Grand total		¥1,590,595	¥1,708,148	¥117,553

As of March 31, 2014	US\$ thousands		
	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$10,866,185	\$11,710,798	\$ 844,612
Municipal bonds	532,006	571,406	39,400
Corporate bonds	2,695,813	2,901,326	205,513
Total domestic bonds	14,094,005	15,183,531	1,089,526
Other securities	887,016	943,135	56,118
Total	14,981,022	16,126,666	1,145,644
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	454,221	450,817	(3,403)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Total domestic bonds	454,221	450,817	(3,403)
Other securities	19,432	19,374	(58)
Total	473,653	470,191	(3,462)
Grand total	\$15,454,676	\$16,596,858	\$1,142,182

Note: Other securities include beneficiary trust certificates amounting to ¥93,291 million (\$906,449 thousand) that are represented as monetary claims purchased in the consolidated balance sheet as of March 31, 2014.

As of March 31, 2013	¥ millions		
	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥1,124,787	¥1,226,989	¥102,202
Municipal bonds	68,752	74,217	5,464
Corporate bonds	308,537	335,121	26,583
Total domestic bonds	1,502,077	1,636,328	134,250
Other securities	105,244	112,236	6,992
Total	1,607,321	1,748,564	141,243
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	70,271	70,171	(100)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Total domestic bonds	70,271	70,171	(100)
Other securities	—	—	—
Total	70,271	70,171	(100)
Grand total	¥1,677,593	¥1,818,736	¥141,142

Note: Other securities include beneficiary trust certificates amounting to ¥105,244 million that are represented as monetary claims purchased in the consolidated balance sheet as of March 31, 2013.

Policy reserve-matching bonds as of March 31, 2014 and 2013 are summarized as follows:

			¥ millions
As of March 31, 2014	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥1,570,687	¥1,687,404	¥116,716
Municipal bonds	198,968	214,088	15,119
Corporate bonds	693,501	744,468	50,967
Total	2,463,157	2,645,961	182,803
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	86,174	85,637	(536)
Municipal bonds	1,800	1,777	(22)
Corporate bonds	7,479	7,433	(46)
Total	95,453	94,847	(606)
Grand total	¥2,558,611	¥2,740,808	¥182,197

			US\$ thousands
As of March 31, 2014	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$15,261,249	\$16,395,299	\$1,134,049
Municipal bonds	1,933,236	2,080,142	146,905
Corporate bonds	6,738,254	7,233,468	495,213
Total	23,932,741	25,708,909	1,776,168
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	837,295	832,078	(5,217)
Municipal bonds	17,489	17,267	(222)
Corporate bonds	72,672	72,222	(450)
Total	927,457	921,567	(5,889)
Grand total	\$24,860,198	\$26,630,477	\$1,770,278

			¥ millions
As of March 31, 2013	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥1,546,855	¥1,680,348	¥133,492
Municipal bonds	208,626	227,161	18,534
Corporate bonds	715,683	775,771	60,088
Total	2,471,166	2,683,281	212,115
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	490	489	(1)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Total	490	489	(1)
Grand total	¥2,471,657	¥2,683,770	¥212,113

Available-for-sale securities as of March 31, 2014 and 2013 are summarized as follows:

As of March 31, 2014	Carrying amount	Acquisition cost	¥ millions Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 434,391	¥ 402,133	¥ 32,258
Municipal bonds	341,766	328,236	13,529
Corporate bonds	1,092,772	1,041,628	51,144
Total domestic bonds	1,868,931	1,771,998	96,932
Domestic equities	570,070	316,163	253,907
Foreign securities:			
Foreign bonds	1,561,845	1,456,428	105,417
Foreign equities	9,873	8,143	1,730
Foreign other securities	381,082	344,310	36,772
Total foreign securities	1,952,802	1,808,881	143,920
Other securities	198,270	173,617	24,652
Total	4,590,074	4,070,661	519,412
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	102,445	102,463	(17)
Municipal bonds	—	—	—
Corporate bonds	70,659	71,586	(927)
Total domestic bonds	173,105	174,050	(944)
Domestic equities	5,062	5,760	(698)
Foreign securities:			
Foreign bonds	502,949	513,031	(10,081)
Foreign equities	12,608	12,916	(307)
Foreign other securities	56,314	57,995	(1,681)
Total foreign securities	571,872	583,943	(12,070)
Other securities	291,846	292,294	(447)
Total	1,041,886	1,056,048	(14,161)
Grand total	¥5,631,961	¥5,126,710	¥505,251

As of March 31, 2014	US\$ thousands		
	Carrying amount	Acquisition cost	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	\$ 4,220,674	\$ 3,907,246	\$ 313,428
Municipal bonds	3,320,699	3,189,242	131,457
Corporate bonds	10,617,693	10,120,754	496,938
Total domestic bonds	18,159,066	17,217,242	941,824
Domestic equities			
	5,538,969	3,071,933	2,467,035
Foreign securities:			
Foreign bonds	15,175,338	14,151,069	1,024,268
Foreign equities	95,935	79,121	16,813
Foreign other securities	3,702,708	3,345,418	357,290
Total foreign securities	18,973,981	17,575,608	1,398,373
Other securities			
	1,926,451	1,686,920	239,530
Total	44,598,469	39,551,706	5,046,763
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	995,393	995,562	(169)
Municipal bonds	—	—	—
Corporate bonds	686,545	695,558	(9,012)
Total domestic bonds	1,681,939	1,691,121	(9,181)
Domestic equities			
	49,187	55,973	(6,785)
Foreign securities:			
Foreign bonds	4,886,802	4,984,760	(97,958)
Foreign equities	122,512	125,496	(2,984)
Foreign other securities	547,164	563,503	(16,338)
Total foreign securities	5,556,479	5,673,760	(117,281)
Other securities			
	2,835,663	2,840,012	(4,348)
Total	10,123,269	10,260,866	(137,597)
Grand total	\$54,721,739	\$49,812,573	\$4,909,166

Notes 1: Other securities include certificates of deposit amounting to ¥63,000 million (\$612,125 thousand) that are represented as cash and deposits, commercial paper amounting to ¥223,593 million (\$2,172,496 thousand) and beneficiary trust certificates amounting to ¥132,789 million (\$1,290,218 thousand) that are represented as monetary claims purchased in the consolidated balance sheet as of March 31, 2014.

2: Impairment losses with respect to the available-for-sale securities with readily obtainable fair value as of March 31, 2014 totaled ¥3,940 million (\$38,291 thousand) and were charged to expenses. Impairment loss was recognized when the fair value of securities as of March 31, 2014 decreased from the acquisition cost by 30% or more.

As of March 31, 2013	Carrying amount	Acquisition cost	¥ millions Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 509,688	¥ 472,684	¥ 37,004
Municipal bonds	394,838	377,105	17,733
Corporate bonds	1,172,648	1,112,854	59,793
Total domestic bonds	2,077,175	1,962,644	114,531
Domestic equities	509,785	308,585	201,199
Foreign securities:			
Foreign bonds	1,506,026	1,372,952	133,074
Foreign equities	4,931	3,416	1,515
Foreign other securities	359,488	336,283	23,205
Total foreign securities	1,870,446	1,712,651	157,794
Other securities	202,734	181,902	20,831
Total	4,660,141	4,165,784	494,357
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	37,796	37,797	(1)
Municipal bonds	—	—	—
Corporate bonds	46,280	47,646	(1,365)
Total domestic bonds	84,076	85,443	(1,366)
Domestic equities	20,664	22,061	(1,397)
Foreign securities:			
Foreign bonds	131,479	137,373	(5,893)
Foreign equities	9,832	11,592	(1,760)
Foreign other securities	59,716	61,606	(1,889)
Total foreign securities	201,028	210,572	(9,543)
Other securities	117,833	118,690	(856)
Total	423,603	436,767	(13,164)
Grand total	¥5,083,745	¥4,602,552	¥481,192

Notes 1: Other securities include certificates of deposit amounting to ¥59,000 million that are represented as cash and deposits, commercial paper amounting to ¥46,475 million and beneficiary trust certificates amounting to ¥150,914 million that are represented as monetary claims purchased in the consolidated balance sheet as of March 31, 2013.

2: Impairment losses with respect to the available-for-sale securities with readily obtainable fair value as of March 31, 2013 totaled ¥7,480 million and were charged to expenses. Impairment loss was recognized when the fair value of securities as of March 31, 2013 decreased from the acquisition cost by 30% or more.

The sales of securities classified as held-to-maturity bonds for the years ended March 31, 2014 and 2013 are summarized as follows:

	¥ millions			
Year ended March 31, 2014	Costs of sales	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:				
Government bonds	¥5,968	¥6,702	¥733	¥—
Municipal bonds	—	—	—	—
Corporate bonds	—	—	—	—
Total	¥5,968	¥6,702	¥733	¥—

	US\$ thousands			
Year ended March 31, 2014	Costs of sales	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:				
Government bonds	\$57,995	\$65,125	\$7,130	\$—
Municipal bonds	—	—	—	—
Corporate bonds	—	—	—	—
Total	\$57,995	\$65,125	\$7,130	\$—

Reason for sales: T&D Financial Life sold securities classified as held-to-maturity bonds under rebalancing activity to better match the cash flows of assets with the retirement benefit obligations in response to changes in the calculation method for retirement benefit obligations and past service costs.

There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2013.

The sales of securities classified as policy reserve-matching bonds for the years ended March 31, 2014 and 2013 are summarized as follows:

	¥ millions			
Year ended March 31, 2014	Proceeds on sales	Gross gains	Gross losses	
Domestic bonds:				
Government bonds	¥106,942	¥4,054	¥207	
Municipal bonds	—	—	—	
Corporate bonds	2,813	267	—	
Total	¥109,756	¥4,322	¥207	

	US\$ thousands			
Year ended March 31, 2014	Proceeds on sales	Gross gains	Gross losses	
Domestic bonds:				
Government bonds	\$1,039,087	\$39,399	\$2,019	
Municipal bonds	—	—	—	
Corporate bonds	27,335	2,600	—	
Total	\$1,066,422	\$41,999	\$2,019	

	¥ millions			
Year ended March 31, 2013	Proceeds on sales	Gross gains	Gross losses	
Domestic bonds:				
Government bonds	¥360,936	¥10,145	¥2,237	
Municipal bonds	—	—	—	
Corporate bonds	23,787	2,006	—	
Total	¥384,724	¥12,152	¥2,237	

The sales of securities classified as available-for-sale securities for the years ended March 31, 2014 and 2013 are summarized as follows:

	¥ millions		
Year ended March 31, 2014	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	¥114,632	¥ 295	¥ 992
Municipal bonds	528	12	—
Corporate bonds	35,390	742	266
Total domestic bonds	150,551	1,050	1,258
Domestic equities	64,975	8,864	1,825
Foreign securities:			
Foreign bonds	419,362	4,218	14,095
Foreign equities	2,571	979	23
Foreign other securities	71,360	5,627	19
Total foreign securities	493,294	10,825	14,138
Other securities	47,660	4,700	204
Total	¥756,482	¥25,439	¥17,426

	US\$ thousands		
Year ended March 31, 2014	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	\$1,113,805	\$ 2,868	\$ 9,639
Municipal bonds	5,134	117	—
Corporate bonds	343,863	7,217	2,589
Total domestic bonds	1,462,803	10,203	12,229
Domestic equities	631,323	86,126	17,739
Foreign securities:			
Foreign bonds	4,074,640	40,992	136,953
Foreign equities	24,989	9,514	227
Foreign other securities	693,357	54,674	188
Total foreign securities	4,792,988	105,181	137,369
Other securities	463,084	45,670	1,983
Total	\$7,350,199	\$247,181	\$169,321

	¥ millions		
Year ended March 31, 2013	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	¥ 64,238	¥ 4,216	¥ 957
Municipal bonds	3,367	382	—
Corporate bonds	60,266	2,454	1,422
Total domestic bonds	127,871	7,052	2,380
Domestic equities	104,385	12,876	13,352
Foreign securities:			
Foreign bonds	336,900	11,017	8,238
Foreign equities	4,699	2,778	5
Foreign other securities	36,228	3,521	185
Total foreign securities	377,828	17,317	8,429
Other securities	13,327	5	25
Total	¥623,413	¥37,252	¥24,188

Note 22 Investments in Monetary Trusts

Monetary trusts classified as trading purpose held by the Company and its consolidated subsidiaries as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	US\$ thousands
As of March 31,	2014	2013	2014
Valuation difference charged to earnings (losses)	¥2,279	¥(17,564)	\$22,150

Monetary trusts for held-to-maturity purpose as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	
	Carrying amount	Fair value	Difference
As of March 31, 2014			
Monetary trusts	¥11,502	¥11,504	¥2

		US\$ thousands	
	Carrying amount	Fair value	Difference
As of March 31, 2014			
Monetary trusts	\$111,761	\$111,781	\$20

		¥ millions	
	Carrying amount	Fair value	Difference
As of March 31, 2013			
Monetary trusts	¥1,599	¥1,599	¥0

Monetary trusts for policy reserve-matching purpose as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	
	Carrying amount	Fair value	Difference
As of March 31, 2014			
Monetary trusts	¥183,362	¥184,383	¥1,021

		US\$ thousands	
	Carrying amount	Fair value	Difference
As of March 31, 2014			
Monetary trusts	\$1,781,599	\$1,791,526	\$9,926

		¥ millions	
	Carrying amount	Fair value	Difference
As of March 31, 2013			
Monetary trusts	¥29,395	¥29,494	¥99

Monetary trusts other than trading, held-to-maturity or policy reserve-matching purposes as of March 31, 2014 and 2013 are summarized as follows:

		¥ millions	
	Carrying amount	Acquisition cost	Difference
As of March 31, 2014			
Monetary trusts	¥4,053	¥4,037	¥16

		US\$ thousands	
	Carrying amount	Acquisition cost	Difference
As of March 31, 2014			
Monetary trusts	\$39,386	\$39,229	\$157

		¥ millions	
	Carrying amount	Acquisition cost	Difference
As of March 31, 2013			
Monetary trusts	¥15,233	¥14,633	¥599

Note 23 Derivative Financial Instruments

(1) Derivative financial instruments for which hedge accounting is not applied

a. Currency-related transactions

¥ millions				
As of March 31, 2014	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥148,739	¥—	¥(717)	¥(717)
U.S. dollar	123,308	—	(638)	(638)
Euro	23,958	—	(73)	(73)
British pound	1,473	—	(5)	(5)
Bought	2,877	—	(0)	(0)
U.S. dollar	2,877	—	(0)	(0)
Currency swaps:				
Receive foreign, pay yen	12,757	—	294	294
Australian dollar	12,757	—	294	294
Total				¥(423)

US\$ thousands				
As of March 31, 2014	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	\$1,445,196	\$—	\$(6,971)	\$(6,971)
U.S. dollar	1,198,095	—	(6,202)	(6,202)
Euro	232,785	—	(712)	(712)
British pound	14,315	—	(56)	(56)
Bought	27,961	—	(6)	(6)
U.S. dollar	27,961	—	(6)	(6)
Currency swaps:				
Receive foreign, pay yen	123,959	—	2,864	2,864
Australian dollar	123,959	—	2,864	2,864
Total				\$(4,113)

Notes 1: Forward exchange rates are used as the year-end exchange rates. Fair value of the currency swaps used in management trusts is calculated based on the price obtained from the trustee companies.

2: Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

3: Fair value of foreign exchange contracts represents the net settlement amount. Valuation gains (losses) for currency swaps indicate the fair value or the present value.

As of March 31, 2013	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥143,602	¥—	¥2,884	¥2,884
U.S. dollar	107,693	—	1,953	1,953
Euro	28,835	—	920	920
Australian dollar	4,624	—	(21)	(21)
British pound	2,448	—	31	31
Bought	31,092	—	(170)	(170)
U.S. dollar	344	—	(0)	(0)
Euro	30,748	—	(170)	(170)
Currency swaps:				
Receive foreign, pay yen	11,533	—	1,338	1,338
Australian dollar	11,533	—	1,338	1,338
Total				¥4,052

Notes 1: Forward exchange rates are used as the year-end exchange rates. Fair value of the currency swaps used in management trusts is calculated based on the price obtained from the trustee companies.

2: Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

3: Fair value of foreign exchange contracts represents the net settlement amount. Valuation gains (losses) for currency swaps indicate the fair value or the present value.

b. Interest-related transactions

As of March 31, 2014	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	¥12,956	¥12,361	¥1,534	¥1,534
Total				¥1,534

As of March 31, 2014	Notional amount		Fair value	US\$ thousands
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	\$125,887	\$120,106	\$14,912	\$14,912
Total				\$14,912

Note: The fair value of the interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the end of the fiscal year or based on the price obtained from counterparty financial institutions.

As of March 31, 2013	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	¥12,752	¥12,170	¥2,439	¥2,439
Total				¥2,439

Note: The fair value of the interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the end of the fiscal year or based on the price obtained from counterparty financial institutions.

c. Others

				¥ millions
As of March 31, 2014	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Compound financial instruments:	¥3,000	¥3,000	¥2,915	¥(84)
Total				¥(84)

				US\$ thousands
As of March 31, 2014	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Compound financial instruments:	\$29,148	\$29,148	\$28,323	\$(824)
Total				\$(824)

Notes 1: Fair values are based on quotations provided by the financial institutions dealing with those transactions.

2: Compound financial instruments are those of which embedded derivatives are not rationally separated from compound financial instruments.

3: Contracted value or notional principal amount indicates purchase amount of compound financial instruments.

				¥ millions
As of March 31, 2013	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Compound financial instruments:	¥3,000	¥3,000	¥2,133	¥(866)
Total				¥(866)

Notes 1: Fair values are based on quotations provided by the financial institutions dealing with those transactions.

2: Compound financial instruments are those of which embedded derivatives are not rationally separated from compound financial instruments.

3: Contracted value or notional principal amount indicates purchase amount of compound financial instruments.

T&D Financial Life uses monetary trusts to execute derivatives transactions. The following tables show a summary of the notional amounts and fair values of derivative financial instruments held as of March 31, 2014 and 2013.

				¥ millions
As of March 31, 2014	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put				
	¥ 9,373	¥ 6,682		
	[1,858]	[1,421]	¥ 812	¥ (1,045)
U.S. dollar				
	5,162	3,748		
	[1,141]	[879]	546	(594)
Euro				
	4,210	2,933		
	[717]	[542]	266	(451)
Stock-related transactions:				
Stock index options:				
Bought:				
Call				
	150	126		
	[50]	[42]	97	47
Put				
	103,865	51,673		
	[19,639]	[11,135]	6,473	(13,165)
Total				¥(14,164)

As of March 31, 2014	Notional amount		Fair value	US\$ thousands
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put	\$ 91,078	\$ 64,927		
	[18,059]	[13,815]	\$ 7,897	\$ (10,162)
U.S. dollar	50,164	36,420		
	[11,086]	[8,544]	5,309	(5,776)
Euro	40,914	28,507		
	[6,973]	[5,271]	2,587	(4,385)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	1,459	1,225		
	[493]	[415]	951	458
Put	1,009,185	502,077		
	[190,820]	[108,191]	62,896	(127,923)
Total				\$(137,628)

Notes 1: The fair value is calculated based on the price obtained from counterparty financial institutions.
 2: Parenthesized figures represent option premiums that are reported on the consolidated balance sheet.

As of March 31, 2013	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Currency options:				
Bought:				
Put	¥ 14,355	¥ 10,226		
	[2,619]	[2,016]	¥ 1,846	¥ (773)
U.S. dollar	8,372	5,950		
	[1,681]	[1,288]	1,103	(577)
Euro	5,983	4,275		
	[937]	[728]	742	(195)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	174	150		
	[58]	[50]	76	18
Put	170,067	115,401		
	[34,559]	[23,211]	18,897	(15,661)
Total				¥(16,416)

Notes 1: The fair value is calculated based on the price obtained from counterparty financial institutions.
 2: Parenthesized figures represent option premiums that are reported on the consolidated balance sheet.

(2) Derivative financial instruments for which hedge accounting is applied

a. Currency-related transactions

¥ millions				
As of March 31, 2014	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Foreign currency denominated assets				
Sold		¥1,895,804	¥—	¥(34,476)
U.S. dollar		1,069,279	—	(18,134)
Euro		486,419	—	(10,009)
British pound		114,688	—	(2,685)
Canadian dollar		86,437	—	2,572
Australian dollar		138,980	—	(6,219)
Bought		1,605	—	0
U.S. dollar		1,605	—	0
Recognition of gains and losses on foreign monetary rights or obligations by foreign exchange contracts:				
Foreign exchange contracts:				
Certificates of deposit in foreign currency				
Sold		82,000	—	—
U.S. dollar		43,500	—	—
Australian dollar		38,500	—	—
Total				¥(34,476)

US\$ thousands				
As of March 31, 2014	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Foreign currency denominated assets				
Sold		\$18,420,179	\$—	\$(334,986)
U.S. dollar		10,389,421	—	(176,198)
Euro		4,726,192	—	(97,258)
British pound		1,114,341	—	(26,096)
Canadian dollar		839,851	—	24,999
Australian dollar		1,350,372	—	(60,433)
Bought		15,596	—	2
U.S. dollar		15,596	—	2
Recognition of gains and losses on foreign monetary rights or obligations by foreign exchange contracts:				
Foreign exchange contracts:				
Certificates of deposit in foreign currency				
Sold		796,735	—	—
U.S. dollar		422,658	—	—
Australian dollar		374,076	—	—
Total				\$(334,983)

Notes 1: Forward exchange rates are used as the year-end exchange rates.

2: The fair value of those derivative instruments to which recognition of gains and losses on foreign monetary rights or obligations by foreign exchange contracts is applied, is included in fixed deposit in foreign currency, because these instruments are accounted for as a single product together with fixed deposit in foreign currency.

3: Fair value of foreign exchange contracts represents the net settlement amount.

				¥ millions
		Notional amount		
As of March 31, 2013	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold				
	U.S. dollar	¥1,190,607	¥—	¥(32,586)
	Euro	616,405	—	(27,573)
	British pound	330,671	—	(1,496)
	Canadian dollar	111,719	—	(919)
	Australian dollar	69,907	—	152
		61,904	—	(2,749)
Recognition of gains and losses on foreign monetary rights or obligations by foreign exchange contracts:				
Foreign exchange contracts:				
Sold				
	U.S. dollar	77,000	—	—
	Australian dollar	38,500	—	—
		38,500	—	—
Total				¥(32,586)

Notes 1: Forward exchange rates are used as the year-end exchange rates.

2: The fair value of those derivative instruments to which recognition of gains and losses on foreign monetary rights or obligations by foreign exchange contracts is applied, is included in fixed deposit in foreign currency, because these instruments are accounted for as a single product together with fixed deposit in foreign currency.

3: Fair value of foreign exchange contracts represents the net settlement amount.

b. Interest-related transactions

				¥ millions
		Notional amount		
As of March 31, 2014	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
	Receive fixed, pay floating	¥86,486	¥60,602	¥930
Total				¥930

				US\$ thousands
		Notional amount		
As of March 31, 2014	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
	Receive fixed, pay floating	\$840,325	\$588,827	\$9,040
Total				\$9,040

Note: The fair value of the interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the end of the fiscal year or the price obtained from counterparty financial institutions.

				¥ millions
		Notional amount		
As of March 31, 2013	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
	Receive fixed, pay floating	¥85,793	¥68,670	¥1,521
Total				¥1,521

Note: The fair value of the interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the end of the fiscal year or the price obtained from counterparty financial institutions.

c. Stock-related transactions

				¥ millions
		Notional amount		
As of March 31, 2014	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Future contracts:				
	Sold	¥75,276	¥—	¥(395)
Total				¥(395)

				US\$ thousands
		Notional amount		
As of March 31, 2014	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Future contracts:				
	Sold	\$731,409	\$—	\$(3,840)
Total				\$(3,840)

Note: The fair value is calculated based on the price obtained from counterparty financial institutions.

				¥ millions
		Notional amount		
As of March 31, 2013	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Future contracts:				
	Sold	¥46,507	¥—	¥(4,459)
Total				¥(4,459)

Note: The fair value is calculated based on the price obtained from counterparty financial institutions.

d. Bond-related transactions

				¥ millions
As of March 31, 2014	Hedged item	Notional amount		Fair value
		Total	Over one year	
Deferral hedge:	Domestic bonds			
Bond options:				
Sold:				
Call		¥186,483	¥ —	
		[865]	[—]	¥547
Bought:				
Put		186,483	—	
		[1,713]	[—]	1,858
Total				¥2,405

				US\$ thousands
As of March 31, 2014	Hedged item	Notional amount		Fair value
		Total	Over one year	
Deferral hedge:	Domestic bonds			
Bond options:				
Sold:				
Call		\$1,811,925	\$ —	
		[8,407]	[—]	\$5,315
Bought:				
Put		1,811,925	—	
		[16,649]	[—]	18,058
Total				\$23,374

Notes 1: The fair value is based on the closing price on major exchanges.

2: Parenthesized figures represent option premiums that are reported on the consolidated balance sheet.

				¥ millions
As of March 31, 2013	Hedged item	Notional amount		Fair value
		Total	Over one year	
Deferral hedge:	Domestic bonds			
Bond options:				
Sold:				
Call		¥182,637	¥ —	
		[933]	[—]	¥5,729
Bought:				
Put		182,637	—	
		[1,968]	[—]	289
Total				¥6,018

Notes 1: The fair value is based on the closing price on major exchanges.

2: Parenthesized figures represent option premiums that are reported on the consolidated balance sheet.

Note 24 Employees' Retirement Benefits

For the year ended March 31, 2014

(1) Outline of the retirement benefit plan adopted by the Company

The Company and its subsidiaries have defined benefit retirement plans such as a defined benefit corporate pension plan, a retirement pension plan, and a retirement lump-sum payment plan. Further, certain subsidiaries have defined contribution pension plans as their defined contribution retirement plan as well as retirement benefit trusts.

(2) Defined benefit retirement plan

(i) Changes in the balance of retirement benefit obligations are as follows:

Year ended March 31, 2014	¥ millions	US\$ thousands
Balance at the beginning of the year	¥147,410	\$1,432,278
Cumulative effects of changes in accounting policies	(922)	(8,961)
Restated balance	146,487	1,423,317
Service cost	6,489	63,057
Interest cost	1,786	17,356
Actuarial gains and losses	(2,032)	(19,747)
Retirement benefit paid	(8,822)	(85,721)
Past service cost	(1,144)	(11,116)
Others	(1,693)	(16,455)
Balance at the end of the year	¥141,071	\$1,370,690

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in "service cost."

(ii) Changes in the balance of plan assets are as follows:

Year ended March 31, 2014	¥ millions	US\$ thousands
Balance at the beginning of the year	¥88,160	\$856,594
Expected return on plan assets	901	8,757
Net actuarial gains and losses	977	9,502
Employer contribution	5,168	50,220
Benefit obligation paid	(5,793)	(56,290)
Others	—	—
Balance at the end of the year	¥89,415	\$868,783

(iii) A reconciliation of retirement benefit obligation and plan assets to net defined benefit liability and net defined benefit asset stated in the consolidated balance sheet is as follows:

As of March 31, 2014	¥ millions	US\$ thousands
Retirement benefit obligations for a funded plans	¥113,649	\$1,104,247
Plan assets	(89,415)	(868,783)
Employee pension trusts	[57,392]	[557,640]
	24,233	235,464
Retirement benefit obligations for an unfunded plans	27,422	266,442
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	51,656	501,906
Defined benefit liability	51,656	501,906
Defined benefit asset	—	—
Net value for defined benefit liability and defined benefit asset stated in the balance sheet	¥ 51,656	\$ 501,906

(iv) The components of retirement benefit expense are as follows:

Year ended March 31, 2014	¥ millions	US\$ thousands
Service cost	¥ 6,489	\$ 63,057
Interest cost	1,786	17,356
Expected return on plan assets	(901)	(8,757)
Recognized actuarial gains and losses	(3,010)	(29,249)
Recognized past service cost	(1,144)	(11,116)
Others	(134)	(1,304)
Net periodic pension cost relating to defined benefit retirement plan	¥ 3,086	\$ 29,985

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in "service cost."

(v) The components of plan assets are as follows:

As of March 31, 2014	%
Bonds	73.6%
General account	15.0%
Foreign securities	6.4%
Stocks	4.3%
Joint assets	0.7%
Cash and deposits	0.0%
Others	0.0%
Total	100.0%

Note: The total includes 64.2% of employee pension trust set up for the corporate pension plans.

Long-term expected rate of return on plan assets is set by considering the present and the prospective asset allocation for plan assets, as well as the present and the expected long-term rate of return arising from various assets that comprise the plan assets.

Assumptions used in accounting for the plan assets were as follows:

Year ended March 31, 2014	
Discount rate	0.48% – 1.60%
Expected long-term rate of return on plan assets	0.73% – 1.65%

(3) Defined contribution retirement plans

The required contribution for the defined contribution retirement plan of the Group and its consolidated subsidiaries amounted to ¥154 million (\$1,497 thousand).

For the year ended March 31, 2013

(1) Outline of the retirement benefit plan adopted by the Company

The Company and its subsidiaries have defined benefit retirement plans such as a defined benefit corporate pension plan, a retirement pension plan, and a retirement lump-sum payment plan. Further, certain subsidiaries have defined contribution pension plans as their defined contribution retirement plan as well as retirement benefit trusts.

(2) The plans' funded status are as follows:

As of March 31, 2013	¥ millions
Retirement benefit obligation	¥147,410
Plan assets	(88,160)
Employee pension trust	[(59,306)]
Reserve for employees' retirement benefits	¥ 59,249

Note: Some of the consolidated subsidiaries used the simplified method for the calculation of retirement benefit obligation.

(3) The components of retirement benefit expense are as follows:

Year ended March 31, 2013	¥ millions
Service cost	¥ 5,753
Interest cost	2,661
Expected return on assets	(1,123)
Recognized actuarial gains and losses	367
Recognized past service cost	—
Net periodic pension cost	7,659
Other	144
Total pension cost	¥ 7,803

Notes 1: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in "service cost."

2: "Other" includes contributions, etc., to the defined contribution pension plan.

(4) Assumptions used in accounting for the plans were as follows:

Year ended March 31, 2013	
Discount rate	0.8% – 2.0%
Expected long-term rate of return on plan assets	1.02% – 2.15%

Note 25 Stock Options

(1) Amount of expenses related to stock options

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Operating expenses	¥269	¥307	\$2,615

(2) Details, size and status of stock options

a. Details of stock options

T&D Holdings, Inc. stock subscription rights (1st series)	
Title and number of grantees	Directors (excluding Outside Directors) and Executive Officers of the Company: 7 Directors (excluding Outside Directors) and Executive Officers of subsidiaries of the Company: 40
Number of stock options by class *	Common stock: 449,600 shares
Grant date	July 31, 2012
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable.
Exercise period	August 1, 2012 to July 31, 2042

*: Translated to the number of common stocks.

T&D Holdings, Inc. stock subscription rights (2nd series)	
Title and number of grantees	Directors (excluding Outside Directors) and Executive Officers of the Company: 7 Directors (excluding Outside Directors) and Executive Officers of subsidiaries of the Company: 39
Number of stock options by class *	Common stock: 235,500 shares
Grant date	August 1, 2013
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable.
Exercise period	August 2, 2013 to August 1, 2043

*: Translated to the number of common stocks.

b. Size and status of stock options

For stock options which existed during the consolidated fiscal year ended March 31, 2014 the number of stock options is translated to the number of common stocks.

(i) Number of stock options

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)
Before vesting		
At the end of previous fiscal year	—	—
Granted	—	235,500 shares
Forfeited	—	—
Vested	—	235,500 shares
Outstanding	—	—
After vesting		
At the end of previous fiscal year	449,600 shares	—
Vested	—	235,500 shares
Exercised	77,800 shares	—
Forfeited	—	—
Exercisable	371,800	235,500

(ii) Unit price information

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)
Exercise price	1 yen	1 yen
Average stock price at the time of exercise	1,233 yen	—
Fair value at the granted date	685 yen	1,143 yen

(3) Method for estimating fair value of stock options

The method for estimating fair value of stock options granted during the consolidated fiscal year ended March 31, 2014 is as follows:

a. Valuation method

Black-Scholes model

b. Principal parameters used and their estimation method

	T&D Holdings, Inc. stock subscription rights (2nd series)
Stock price volatility (Note 1)	45.12%
Expected remaining period (Note 2)	5.68 years
Expected dividends (Note 3)	22.5 yen
Risk-free interest rate (Note 4)	0.327%

Notes 1: Calculated based on the daily closing price of the Company's common stock in regular transactions from November 29, 2007 to August 1, 2013.

2: A period from the grant date to the average time when options are expected to be exercised is applied.

3: Calculated based on the actual dividends for the fiscal year ended March 31, 2014.

4: Based on Japanese government bond yield with a maturity corresponding to the expected remaining period.

(4) Method for estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

Note 26 Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet as of March 31, 2014 and 2013 are as follows:

Asbestos removal obligations for our office buildings and rental properties are classified as asset retirement obligations. For the estimation of the present value of asset retirement obligations, 50 years from the acquisition of buildings is used as the estimated period before the cost to be incurred and 2.11% as the discount rate.

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Balance at the beginning of the year	¥1,800	¥1,762	\$17,491
Time progress adjustment	38	37	369
Balance at the end of the year	¥1,838	¥1,800	\$17,861

Note 27 Real Estate for Rent

The Company and certain consolidated subsidiaries own real estate for rent, consisting mainly of office buildings in major cities in Japan. Their carrying amount, net increase/decrease and fair value for the years ended March 31, 2014 and 2013 are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Carrying amount:			
Balance at the beginning of the year	¥182,277	¥180,533	\$1,771,056
Net increase (decrease)	6,115	1,743	59,417
Balance at the end of the year	188,392	182,277	1,830,473
Fair value at the end of the year	¥216,342	¥206,563	\$2,102,047

Notes 1: The carrying amount represents acquisition cost less accumulated depreciation and accumulated impairment loss. Balances at the end of the year for the years ended March 31, 2014 and 2013 include amounts related to asset retirement obligations of ¥288 million (\$2,799 thousand) and ¥338 million, respectively.

2: The net increase for the year ended March 31, 2014 consisted mainly of purchase of real estate amounting to ¥18,206 million (\$176,895 thousand). The net increase for the year ended March 31, 2013 consisted mainly of purchase of real estate and change of use of real estate amounting to ¥3,542 million and ¥3,539 million, respectively. The net decrease for the year ended March 31, 2014 consisted mainly of sales of real estate and depreciation, amounting to ¥7,756 million (\$75,368 thousand) and ¥4,079 million (\$39,638 thousand), respectively. The net decrease for the year ended March 31, 2013 consisted mainly of depreciation, amounting to ¥4,191 million.

3: Fair values of major properties are calculated based on their appraisal value. The fair values of other properties are calculated based on posted price.

Gains (losses) on real estate for rent for the years ended March 31, 2014 and 2013 are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2014	2013	2014
Ordinary revenues	¥13,735	¥13,451	\$133,456
Ordinary expenses	9,214	8,835	89,528
Ordinary profit	4,521	4,616	43,928
Other losses	¥ (4,560)	¥ (421)	\$ (44,311)

Notes 1: Ordinary revenues and ordinary expenses constitute income from lease and corresponding expenses, such as depreciation, repair expenses, insurance expenses and taxes. These amounts are reported in "investment income" and "investment expenses."

2: Other losses are reported in extraordinary losses. These are mainly "losses on disposal of fixed assets" and "impairment losses" for the year ended March 31, 2014 and "losses on disposal of fixed assets" and "impairment losses" for the year ended March 31, 2013.

Note 28 Segment Information

1. Overview of reportable segments

The reportable segments of the Company are components of the Company about which separate financial information is available. These segments are subject to periodic review to enable the Company's Board of Directors to decide on allocation of business resources and evaluate business performance.

The Company is a holding company which manages life insurance companies and other subsidiaries and affiliated companies in accordance with the Insurance Business Act. The Three Life Insurance Companies, with unique product strategies and sales strategies under the Company, operate life insurance business as the Group's core business.

The Company's operations are therefore segmented by each of the life insurance companies and the Company's three reportable

segments are the Taiyo Life Insurance Company segment, the Daido Life Insurance Company segment, and the T&D Financial Life Insurance Company segment.

Each of the Three Life Insurance Companies focuses on different markets. Taiyo Life focuses on the retail households market, Daido Life focuses on the small and medium-sized entities market and T&D Financial Life focuses on over-the-counter sales at financial institutions and other agents, etc. Each company also has different products under its unique marketing strategy.

2. Method of calculating ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

The method of accounting for the reportable segments is the same as that described in "Summary of Significant Accounting Policies."

3. Information on ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

Year ended March 31, 2014	Reportable segments						Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	¥ 856,155	¥ 892,933	¥ 468,628	¥ 2,217,717	¥ 28,190	¥ 2,245,908	¥(160,173)	¥ 2,085,734
Intergroup transfers	1,116	384	41	1,542	43,131	44,673	(44,673)	—
Total	857,272	893,318	468,669	2,219,260	71,321	2,290,582	(204,847)	2,085,734
Segment income (loss)	72,257	91,309	20,910	184,477	18,952	203,430	(17,206)	186,224
Segment assets	6,760,825	5,572,800	1,393,592	13,727,217	914,603	14,641,821	(837,601)	13,804,219
Segment liabilities	6,360,611	5,041,936	1,340,493	12,743,041	128,417	12,871,459	(87,564)	12,783,895
Others								
Depreciation of real estate for rent	2,258	2,545	—	4,803	—	4,803	—	4,803
Depreciation	6,228	3,014	2	9,245	1,301	10,546	(186)	10,360
Provision for (reversal of) policy reserve	52,420	119,602	(151,430)	20,593	204	20,797	—	20,797
Provision for (reversal of) reserve for policyholder dividends	17,688	13,951	(2)	31,638	—	31,638	—	31,638
Interest, dividends and income from real estate for rent	153,956	127,803	7,060	288,819	18,246	307,066	(19,578)	287,487
Interest expenses	2,000	10	2	2,013	50	2,064	(26)	2,037
Equity in net income of affiliated companies	—	—	—	—	—	—	37	37
Extraordinary gains	4	210	—	215	227	442	(24)	417
Extraordinary losses	12,935	17,621	398	30,954	199	31,154	—	31,154
Impairment losses	977	2,688	301	3,967	—	3,967	—	3,967
Provision for reserve for price fluctuations	10,130	13,873	96	24,100	—	24,100	—	24,100
Taxes	15,282	23,987	4,604	43,875	787	44,662	49	44,711
Investments in affiliated companies	—	100	—	100	—	100	—	100
Increase in tangible fixed assets and intangible fixed assets	¥ 24,184	¥ 7,000	¥ 409	¥ 31,594	¥ 1,314	¥ 32,908	¥ (1,895)	¥ 31,012

Year ended March 31, 2014	Reportable segments						Adjustments	US\$ thousands
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		Amount on consolidated financial statements
Ordinary revenues	\$ 8,318,653	\$ 8,675,997	\$ 4,553,327	\$ 21,547,978	\$ 273,904	\$ 21,821,883	\$(1,556,288)	\$ 20,265,594
Intergroup transfers	10,851	3,737	399	14,988	419,075	434,063	(434,063)	—
Total	8,329,505	8,679,734	4,553,726	21,562,966	692,980	22,255,946	(1,990,352)	20,265,594
Segment income (loss)	702,072	887,193	203,174	1,792,440	184,147	1,976,587	(167,181)	1,809,406
Segment assets	65,690,101	54,146,914	13,540,538	133,377,554	8,886,546	142,264,101	(8,138,374)	134,125,727
Segment liabilities	61,801,514	48,988,891	13,024,615	123,815,021	1,247,742	125,062,763	(850,801)	124,211,962
Others								
Depreciation of real estate for rent	21,945	24,729	—	46,675	—	46,675	—	46,675
Depreciation	60,518	29,290	24	89,833	12,643	102,476	(1,814)	100,661
Provision for (reversal of) policy reserve	509,335	1,162,092	(1,471,340)	200,088	1,988	202,076	—	202,076
Provision for (reversal of) reserve for policyholder dividends	171,865	135,558	(20)	307,404	—	307,404	—	307,404
Interest, dividends and income from real estate for rent	1,495,882	1,241,774	68,598	2,806,255	177,285	2,983,540	(190,231)	2,793,309
Interest expenses	19,441	104	22	19,567	488	20,056	(257)	19,798
Equity in net income of affiliated companies	—	—	—	—	—	—	366	366
Extraordinary gains	42	2,048	—	2,091	2,206	4,298	(237)	4,060
Extraordinary losses	125,684	171,210	3,871	300,767	1,938	302,705	—	302,705
Impairment losses	9,493	26,119	2,932	38,546	—	38,546	—	38,546
Provision for reserve for price fluctuations	98,428	134,798	939	234,165	—	234,165	—	234,165
Taxes	148,489	233,072	44,741	426,303	7,647	433,950	478	434,429
Investments in affiliated companies	—	971	—	971	—	971	—	971
Increase in tangible fixed assets and intangible fixed assets	\$ 234,986	\$ 68,014	\$ 3,977	\$ 306,978	\$ 12,767	\$ 319,745	\$ (18,416)	\$ 301,329

Notes 1: Ordinary revenues, instead of net sales, are presented here.

2: Adjustments are as follows:

- (1) The downward adjustment of ¥160,173 million (\$1,556,288 thousand) to ordinary revenues was mainly to transfer reversal of policy reserve of ¥151,430 million (\$1,471,340 thousand) and reversal of reserve for outstanding claims of ¥6,146 million (\$59,721 thousand) included in ordinary revenues, which is included as an offset to provision for policy reserves and provision for reserve for outstanding claims respectively under ordinary expenses in the consolidated statement of operation.
- (2) The downward adjustment of ¥17,206 million (\$167,181 thousand) to segment income (loss) was mainly to eliminate dividends on investments in subsidiaries.
- (3) The downward adjustment of ¥837,601 million (\$8,138,374 thousand) to segment assets was mainly to eliminate investments in subsidiaries.
- (4) The downward adjustment of ¥87,564 million (\$850,801 thousand) to segment liabilities was mainly to eliminate intersegment receivables and payables.

3: Segment income (loss) was adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

Year ended March 31, 2013	Reportable segments						Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	¥1,228,409	¥ 883,538	¥ 288,655	¥ 2,400,603	¥ 26,450	¥ 2,427,053	¥ (8,094)	¥ 2,418,959
Intergroup transfers	1,189	468	0	1,658	45,305	46,964	(46,964)	—
Total	1,229,598	884,006	288,656	2,402,262	71,755	2,474,017	(55,058)	2,418,959
Segment income (loss)	68,801	67,621	13,783	150,205	16,967	167,173	(15,483)	151,689
Segment assets	6,645,339	5,399,189	1,541,553	13,586,082	908,425	14,494,507	(825,788)	13,668,719
Segment liabilities	6,260,697	4,936,237	1,504,475	12,701,410	122,069	12,823,480	(74,507)	12,748,972
Others								
Depreciation of real estate for rent	2,351	2,586	—	4,938	—	4,938	—	4,938
Depreciation	6,210	3,079	5	9,295	1,596	10,891	53	10,944
Amortization of goodwill	—	—	—	—	—	—	6	6
Provision for (reversal of) policy reserve	316,539	75,936	119,581	512,056	169	512,226	—	512,226
Provision for (reversal of) reserve for policyholder dividends	16,995	14,202	(0)	31,197	—	31,197	—	31,197
Interest, dividends and income from real estate for rent	145,668	115,937	5,553	267,159	15,326	282,485	(16,767)	265,717
Interest expenses	1,736	13	5	1,754	73	1,828	(36)	1,792
Equity in net income of affiliated companies	—	—	—	—	—	—	29	29
Extraordinary gains	176	39	—	215	55	271	—	271
Extraordinary losses	14,965	11,202	1,441	27,609	155	27,764	(10)	27,754
Impairment losses	218	24	477	720	—	720	—	720
Provision for reserve for price fluctuations	14,330	10,481	50	24,862	—	24,862	—	24,862
Taxes	11,416	13,369	3,489	28,274	747	29,022	58	29,081
Investments in affiliated companies	—	100	—	100	—	100	—	100
Increase in tangible fixed assets and intangible fixed assets	¥ 8,690	¥ 4,572	¥ 481	¥ 13,744	¥ 496	¥ 14,241	¥ (33)	¥ 14,207

Notes 1: Ordinary revenues, instead of net sales, are presented here.

2: Adjustments are as follows:

(1) The downward adjustment of ¥8,094 million to ordinary revenues was mainly to transfer gains from derivatives of ¥4,260 million and reversal of reserve for employees' retirement benefits of ¥3,189 million included in ordinary revenues, which is included as an offset to losses from derivatives and provision for reserve for employees' retirement benefits respectively under ordinary expenses in the consolidated statement of operation.

(2) The downward adjustment of ¥15,483 million to segment income (loss) was mainly to eliminate dividends on investments in subsidiaries.

(3) The downward adjustment of ¥825,788 million to segment assets was mainly to eliminate investments in subsidiaries.

(4) The downward adjustment of ¥74,507 million to segment liabilities was mainly to eliminate intersegment receivables and payables.

3: Segment income (loss) was adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

[Related information]

For the year ended March 31, 2014

1. Information by product and service

Sales to external customers

Year ended March 31, 2014	¥ millions				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥655,233	¥712,866	¥239,777	¥1,854	¥1,609,732
Insurance premiums	655,102	712,058	239,469	1,854	1,608,485
Individual insurance and individual annuities	538,310	636,514	239,274	—	1,414,099
Group insurance	32,781	28,418	—	—	61,200
Group annuities	82,637	46,236	169	—	129,043
Others	1,372	889	25	1,854	4,142
Ceded reinsurance recoveries	¥ 131	¥ 807	¥ 308	¥ —	¥ 1,247

Year ended March 31, 2014	US\$ thousands				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	\$6,366,435	\$6,926,412	\$2,329,748	\$18,023	\$15,640,619
Insurance premiums	6,365,159	6,918,563	2,326,754	18,023	15,628,500
Individual insurance and individual annuities	5,230,379	6,184,555	2,324,855	—	13,739,791
Group insurance	318,516	276,121	—	—	594,637
Group annuities	802,931	449,245	1,649	—	1,253,826
Others	13,331	8,640	248	18,023	40,244
Ceded reinsurance recoveries	\$ 1,276	\$ 7,849	\$ 2,993	\$ —	\$ 12,119

Note: Income from insurance premiums, instead of net sales, is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) in the consolidated statement of operation.

For the year ended March 31, 2013

1. Information by product and service

Sales to external customers

Year ended March 31, 2013					¥ millions
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥1,018,383	¥724,517	¥196,740	¥1,259	¥1,940,900
Insurance premiums	1,018,215	723,929	196,455	1,259	1,939,858
Individual insurance and individual annuities	899,243	645,396	196,219	—	1,740,859
Group insurance	33,103	30,036	—	—	63,139
Group annuities	84,409	47,617	208	—	132,235
Others	1,458	879	26	1,259	3,623
Ceded reinsurance recoveries	¥ 168	¥ 587	¥ 285	¥ —	¥ 1,042

Note: Income from insurance premiums, instead of net sales, is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) in the consolidated statement of operation.

[Information on impairment losses on fixed assets by reportable segment]

For the years ended March 31, 2014 and 2013

Information on impairment losses on fixed assets by reportable segment is disclosed in "Segment information."

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the year ended March 31, 2014

Not applicable.

For the year ended March 31, 2013

Information on amortization of goodwill and unamortized balance of goodwill by reportable segment is disclosed in "Segment information."

[Information on gains on negative goodwill by reportable segment]

For the years ended March 31, 2014 and 2013

Not applicable.

Note 29 Per Share Information

		¥	US\$
Years ended March 31,	2014	2013	2014
Net assets per share	¥1,513.46	¥1,360.15	\$14.70
Net income per share	117.42	94.52	1.14
Net income per share (fully diluted)	117.31	94.47	1.13

A summary of the net income per share and the net income per share (fully diluted) computations is as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2014	2013	2014
Net income per share:			
Net income	¥78,982	¥63,733	\$767,418
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stockholders	¥78,982	¥63,733	\$767,418

		Shares
Weighted-average number of common stocks outstanding	672,633,900	674,324,243

		¥ millions	US\$ thousands
Years ended March 31,	2014	2013	2014
Net income per share (fully diluted):			
Adjusted net income	¥—	¥—	\$—

		Shares
Increase in common stock	622,806	300,240
Subscription rights to shares	622,806	300,240
Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect	—	—

A summary of the net assets per share computations is as follows:

		¥ millions	US\$ thousands
As of March 31,	2014	2013	2014
Net assets	¥1,020,324	¥919,746	\$9,913,765
Deduction from net assets	2,876	2,565	27,949
Subscription rights to shares	523	307	5,089
Minority interests	2,352	2,257	22,859
Net assets available to common stockholders	¥1,017,448	¥917,181	\$9,885,815

		Shares
The number of common stock outstanding	672,267,706	674,322,440

As described in “Changes in accounting policies,” the Company has applied the “Accounting Standard for Retirement Benefits,” etc., and follows Article 37 of the “Accounting Standard for Retirement Benefits,” which stipulates transitional treatment of the new standard.

Due to this, net assets per share as of March 31, 2014 increased by ¥0.96. Net income per share and net income per share (fully diluted) as of March 31, 2014 also increased by ¥0.07 each.

Note 30 Subsequent Events

The Company's Board of Directors has resolved at its meeting held on May 15, 2014 to repurchase the Company's shares, and the details of repurchase under the provisions of Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same, are as follows:

1. Reason for the Repurchase of the Company's shares

To enhance profit return to its shareholders through the implementation of a flexible capital policy and the improvement of capital efficiency.

2. Details of the Repurchase

(1) Class of shares to be repurchased:	Shares of common stock
(2) Aggregate number of shares to be repurchased:	Up to 8,700,000 shares
(3) Aggregate price to be repurchased:	Up to ¥10,000 million (\$97,162 thousand)
(4) Period of repurchase of shares:	From May 16, 2014 to July 15, 2014
(5) Method of repurchase of shares:	Open-market repurchase by the trust method

3. Results of the Repurchase

(1) Total number of repurchased shares:	7,461,900 shares
(2) Total cost of repurchase:	¥9,999 million (\$97,162 thousand)
(3) Period of repurchase:	From May 21, 2014 to June 17, 2014, on the basis of execution date

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
T&D Holdings, Inc.

We have audited the accompanying consolidated financial statements of T&D Holdings, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of T&D Holdings, Inc. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 26, 2014

A member firm of Ernst & Young Global Limited

Glossary

A

Additional policy reserve	An additional policy reserve provisioned to supplement the ordinary policy reserve in a case when the insurance company recognizes a risk that future payment may not be fulfilled.
Administrative expense margin	The administrative expense margin is the difference between the administrative expenses related to the relevant policy assumed by a company with respect to a given year in calculating premiums and the actual administrative expenses for that year.
ALM (Asset Liability Management)	ALM is a risk management method for managing the overall structure of assets and liabilities of a company. With insurance companies in particular, it is essential that assets and liabilities be managed in consideration of the special characteristics of super long-term liabilities that insurance policies represent.
Annualized premiums	The annualized premiums amount is an adjusted figure for premiums paid using monthly, annual, or lump-sum payment methods showing total premiums paid on an annual basis.
Assumed business expense rate	Assumed business expense rate is one of the forecast rates used in the calculation of insurance premiums. It is the rate used to include business expenses necessary for administering insurance policies.
Assumed investment yield	One of the forecast rates used in the calculation of insurance premiums. It is the predetermined discount rate based on the expected earnings from the investment of insurance premiums.

C

Contingency reserve	<p>A reserve included as part of the policy reserve to account for the risk of insurance payment events occurring at a higher-than-expected rate due to higher-than-expected mortality and morbidity rates, and the risk of actual investment yields being lower than the assumed investment yields related to outstanding policies. Contingency reserve can be classified into:</p> <p>Contingency reserve I Corresponds to insurance risk Contingency reserve II Corresponds to assumed investment yield risk Contingency reserve III Corresponds to minimum guarantee risk relating to variable annuity and others Contingency reserve IV Corresponds to insurance risk of Third Sector insurance</p>
Core profit	An indicator showing core period earnings of life insurance companies, made up of insurance income and expenses (which include income from insurance premiums and insurance benefits and business expenses), and investment income and expenses (which include mainly interest, dividends and income from real estate for rent). It is not an item on the Company's statement of operation, but is calculated by deducting capital gains, such as gains (losses) on sales of securities and other one-time gains (losses), from ordinary profit.

E

ERM (Enterprise Risk Management)	ERM is a strategic management method used to achieve managerial goals such as raising corporate value and maximizing earnings, through the integrated management of profit, risk and capital.
ESR (Economic Solvency Ratio)	ESR indicates capital adequacy based on economic value. ESR is calculated by dividing the surplus by economic capital. An ESR of 100% means that capital and risk are equal. The higher the ESR, the greater the amount of capital relative to risk. Although ESR is widely used mainly in Europe, there is no standardized calculation method. Each life insurance company calculates ESR individually based on its internal models.

G

General account	The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by a company to meet fixed guaranteed rates of return for policyholders, and that company bears the investment risk on such assets.
------------------------	--

I	
Investment yield margin	The investment yield margin is the difference, with respect to a given year, between the actual investment yield for that year and the guaranteed rate of return used in calculating premiums.
M	
Morbidity rate	The relative incidence of disability due to disease or physical impairment.
Mortality rate	Rates of death, varying by such parameters as age, gender, and health, used in pricing and computing liabilities for future policyholder benefits for life insurance and annuity products.
Mortality rate margin	The mortality rate margin is the difference between the mortality rate assumed by a company with respect to a given year in calculating premiums and the actual mortality rate for that year.
N	
Negative spread	<p>Negative spread = (Investment yield on core profit – Average assumed investment yield) x Policy reserve in general accounts</p> <ul style="list-style-type: none"> • “Investment yield on core profit” is calculated by dividing the numerator as investment revenues and expenses (investment profit in general account) included in core profit less the amount of provision for accumulated interest due to policyholders by the denominator as policy reserve in general reserve in general accounts. • “Average assumed investment yield” is calculated by dividing the numerator as assumed interest (general accounts only) by the denominator as policy reserve in general accounts. • “Policy reserve in general accounts” represents the earned policy reserve calculated for policy reserve in general accounts less the contingency reserve by the Hardy method as follows: (Policy reserve at beginning of fiscal year + Policy reserve at the end of fiscal year – Assumed interest) x 1/2
Net level premium method	The net level premium method is one method for setting aside policy reserves. Using this method, policy reserves are calculated assuming a constant amount of business expenses each time a premium is paid over the term of the policy. Generally speaking, the bulk of the business expenses of life insurance companies are incurred in the first fiscal year of a contract such as for the payment of remuneration to sales representatives and agencies, costs related to issuing insurance certificates, and commissions for medical examinations to doctors. In this sense, the net level premium method is a sounder way of setting aside reserves.
Non-participating policy	Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating or semi-participating policies.
P	
Participating policy	Policies under which the policyholder is eligible to share in the divisible surplus of a company—calculated based on the mortality rate margin, investment yield margin, and administrative expense margin—through the receipt of annual policyholder dividends.
Policy reserve	A reserve established for the fulfillment of insurance claims and other payments related to a company’s outstanding policies that are expected to be paid in the future. The policy reserve consists of a premium reserve (other than unearned premiums), an unearned premium reserve, a repayment reserve, and a contingency reserve. A company uses the net level premium method to calculate the amount it sets aside each year as a policy reserve. The policy reserve is one of the three reserves comprising the reserve for policy and other reserves.

R

Reserve for outstanding claims	A reserve for liable claims such as insurance claims, other payments, and benefits that remained outstanding as of the balance sheet date. The reserve includes amounts that are not yet claimed but the insurer is deemed to be liable.
Reserve for policyholder dividends	A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves comprising the reserve for policy and other reserves. For a mutual life insurance company, a transfer to reserve for policyholder dividends is treated as a disposition of net surplus. For a joint stock corporation, provision for reserve for policyholder dividends is treated as an expense.
Reserve for price fluctuations	Pursuant to provisions of the Insurance Business Act, companies maintain reserves to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stocks, bonds, and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets.

S

Semi-participating policy	Policies under which a company does not distribute yearly policyholder dividends to its policyholders, but instead distributes a portion of the net positive return on investments in excess of the guaranteed rate of return as calculated at the end of every five-year period. Semi-participating policies generally feature lower premiums than participating policies and higher premiums than non-participating policies.
Separate account	Assets related to a company's individual variable insurance and group variable annuity products, including group employee pension fund insurance and national pension fund insurance, are allocated to the company's separate account. Separate account assets and liabilities represent funds that are administered and invested in by the company to meet specific investment objectives of policyholders. The investments in each separate account are maintained separately from those in other separate accounts and an insurer's general account and are generally not subject to the general liabilities of the insurer. The investment results of the separate account assets generally pass through to the separate account policyholders, less management fees, so that an insurer bears limited or no investment risk on such assets.
Solvency margin ratio	The solvency margin ratio is calculated as the total solvency margin (including net assets, the reserve for price fluctuations, contingency reserve, reserve for possible loan losses, etc.) divided by 1/2 of total risk, which includes such factors as insurance risk due to a major earthquake or other disaster, investment risk, and various other risks. If a life insurance company's solvency margin ratio falls below 200%, the regulatory authorities will require management to introduce corrective measures to quickly return the company to soundness.
Standard yield rate	A statutory yield rate which is required by the supervisory authorities to be applied in calculating the "standard policy reserve (a policy reserve required to be set aside from the standpoint of ensuring the business soundness of life insurance companies and protecting policyholders)".
Surrender and lapse amount	The amount of surrender and lapse represents the total amount of money reimbursed on the surrender or lapse of insurance policies in a given fiscal year. Surrender occurs when policyholders choose to discontinue their policies. Lapse occurs when the deadline for payment of premiums that are in arrears is exceeded.

T

Term life insurance	A life insurance policy where payments are made only if the person insured dies during the term of the insurance policy. In general, term life insurance provides no, or only a small amount of, surrender value. However, for term life insurance taken out for longer periods, surrender value can be accumulated based on the number of years that the policy has been held (cash-value type of term life insurance).
Third sector insurance	In the Japanese insurance industry, life insurance products and non-life insurance products are called "First Sector" and "Second Sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products are called "Third Sector" insurance products. Examples include medical care, cancer, accident, and nursing care insurance.

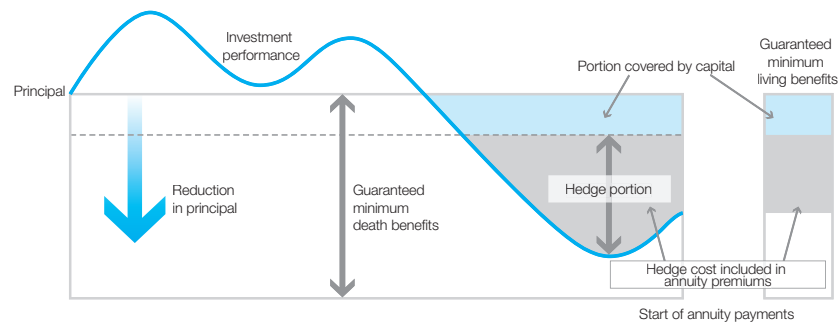
V

Variable annuity

An annuity in which the return to the holder is variable, rather than fixed, and reflects the results of investments made in the company's separate accounts.

Among variable annuity products, there are products that offer minimum death guarantee or guaranteed minimum living benefits. Generally the life insurance company bears the risks of these minimum guarantees. However, at T&D Financial Life, the company adopts a scheme using put options to reduce loss in the event of a drop in the market. Under this scheme, hedge cost is included in the insurance premium as a risk guarantee cost. Also, since it is less economical to use a full hedge, the critical portion of the risk is hedged while the remainder is covered with the company's capital.

Illustration of risk management using hedging










Z

Zillmer method

A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the pure insurance premium portion used in the calculation of policy reserves is reduced during the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in reserve provisions is gradually adjusted to eliminate the difference between the net level premium method and the Zillmer method over a predetermined term of, for example, 5 or 10 years.

History

 TAIYO-LIFE		 DAIDO LIFE	
1893	May 1893 Taiyo Life founded as the Nagoya Life Insurance Co., Ltd.		
1902		July 1902 Daido Life Insurance Company founded as a joint stock company through the merger of Asahi Life Insurance Co., Gokoku Life Insurance Co., and Hokkai Life Insurance Co.	
1940s	February 1948 Established the Taiyo Mutual Life Insurance Company	July 1947 Established Daido Life as a mutual company	
1950s	April 1951 Monthly payment savings-type insurance with five-year maturity launched Adopted marketing style of concentrating on large urban areas and major regional cities		
1960s	May 1968 Launched <i>Himawari</i> , a savings-type endowment insurance with five-year maturity		
1970s	September 1974 Started selling 10-year <i>Kenko Himawari</i> , a special 10-year maturity endowment with medical protection	June 1970 Started handling the Comprehensive Business Security Plan for the Chugoku CPTA Cooperative Association Thereafter, started handling this plan for CPTA Cooperative Associations in various regions across Japan April 1971 Forged a business alliance with AIU Insurance Company, Ltd., a member company of American International Group, Inc. June 1971 Started handling Ohgata Hosho Plan implemented by the NFCTA November 1971 Started handling Ohgata Hosho Plan implemented by the TPA March 1976 Started handling TKC Corporate Defense Plan implemented by the TKC National Federation	
1980s	October 1986 Launched <i>Kenko Himawari "Lady"</i> , a special endowment providing substantial coverage for illnesses specific to women		

 T&D T&D Life Group		Life Insurance Industry Developments	
1999	Jan. Taiyo Life and Daido Life announced a broad business alliance Jun. The group name "T&D Life Group" was announced Oct. Launched T&D Taiyo Daido Asset Management Co., Ltd., through a merger of domestic investment advisory companies Launched T&D Confirm, Ltd., by integrating policy confirmation operations	 	Apr. Standard yield rate lowered (2.75%→2.0%)
2000			Jun. The Financial Supervisory Agency announced Inspection Manual for Insurance Companies
2001	Oct. T&D Financial Life Insurance Company joined the Group and began operations Launched T&D Information Systems, Ltd., by integrating Group system divisions		Apr. Standard yield rate lowered (2.0%→1.5%) Jul. Restrictions on selling Third Sector products lifted at all domestic insurance companies
2002	Apr. Demutualized Daido Life to a joint stock company and listed its shares on the Tokyo Stock Exchange and Osaka Securities Exchange (now Osaka Exchange, Inc.) Jul. Launched T&D Asset Management Co., Ltd., through a merger of T&D Taiyo Daido Asset Management Co., Ltd., and Daido Life Investment Trust Management Co., Ltd. Aug. Launched T&D Taiyo Daido Lease Co., Ltd., by integrating Group leasing businesses Oct. T&D Financial Life began selling variable annuities via OTC sales at banks		Oct. Broadening of products that can be sold at banks (individual annuities, etc.)

2003	Apr.	Demutualized Taiyo Life to a joint stock company and listed its shares on the Tokyo Stock Exchange		Jul.	Revised Insurance Business Act enacted (lowered assumed investment yields before insolvency)
	Apr.	Began sales of <i>Taiyo Life's Hoken Kumikyoku</i>			
2004	Apr.	Established T&D Holdings, Inc. and listed on the Tokyo Stock Exchange and the Osaka Securities Exchange (now Osaka Exchange, Inc.) (Taiyo Life, Daido Life, and T&D Financial Life became wholly owned subsidiaries of T&D Holdings, Inc.)			
	Dec.	Daido Life won the prestigious Porter Prize			
2005	Sep.	Internal reorganization of the Group in-house sales representative channel at T&D Financial Life		Aug.	The Financial Services Agency eliminated business guidelines and announced the "Comprehensive Regulatory Policies with Respect to Insurance Companies"
2006	Mar.	T&D Holdings conducted an issuance of new shares and a secondary offering of shares of common stock of the Company T&D Financial Life raised ¥32 billion in capital		Dec.	Broadening of types of products that can be sold at banks (single-premium whole life insurance, single-premium endowment insurance, etc.)
	Jul.	Head offices of four Group companies (T&D Holdings, Taiyo Life, Daido Life, and T&D Financial Life) and T&D Asset Management consolidated and relocated			Apr.
2007	Jan.	Acquired Japan Family Insurance Planning, Inc. (now Pet & Family Small-amount Short-term Insurance Company) as a subsidiary		Oct.	Japan Post Insurance Co., Ltd. created from post office privatization
	Mar.	Acquired T&D Asset Management as a direct subsidiary		Dec.	Full deregulation of OTC sales at banks
2008	Oct.	Taiyo Life launched <i>Hoken Kumikyoku Best</i>			
	Dec.	T&D Financial Life raised ¥40 billion in capital			
2009	Mar.	T&D Holdings conducted an issuance of new shares and a secondary offering of shares of common stock of the Company Taiyo Life raised ¥50 billion in capital Daido Life raised ¥70 billion in capital			
	Dec.	T&D Holdings conducted an issuance of new shares and a secondary offering of shares of common stock of the Company			
2010	Oct.	Daido Life launched non-participating insurance for serious diseases (<i>J-type product</i>)		Apr.	Revision of the Insurance Act
2011	Apr.	President of T&D Holdings changed			
	Apr.	Taiyo Life opened the New York Representative Office			
	Apr.	Daido Life started agency operations for AIU Insurance Company (currently AIU Insurance Company, Ltd.). Concurrently, AIU Insurance Company started agency operations for Daido Life.			
	Oct.	T&D Holdings conducted a 2-for-1 stock split of common stock			
2012	Mar.	Taiyo Life commenced paperless and cashless contract procedures		Mar.	New standards for the solvency margin ratio and the consolidated solvency margin ratio were introduced by amendments to the Ordinance for Enforcement of the Insurance Business Act, etc.
	Apr.	Taiyo Life opened the Yangon Representative Office in Myanmar			
	Aug.	T&D Financial Life launched <i>Kakei Ni Yasashii Shunyuhoshou</i> [non-participating income protection insurance (no surrender value type I)]			
	Oct.	Daido Life launched non-participating comprehensive medical insurance (<i>M-type product</i>)			
	Dec.	T&D Financial Life launched <i>Minna Ni Yasashii Shushinhoken</i> [non-participating whole life insurance (increasing death benefit type I)]			
2013	Apr.	Full-scale introduction of ERM (integrated risk management)		Apr.	Standard yield rate lowered (1.5%→1.0%)
	May	Disclosure of MCEV (market-consistent embedded value)			
	Sep.	Daido Life formed a business partnership with American Family Life Assurance Company of Columbus (Aflac) to sell cancer policies as part of the employment benefit packages of member companies of the National Federation of Corporate Taxpayers Associations (NFCTA, known as <i>Hojinkai</i>).			
	Dec.	Daido Life invested in NÜRNBERGER Beteiligungs-Aktiengesellschaft (NÜRNBERGER), a publicly listed German insurance group, and entered into a co-operation agreement with NÜRNBERGER.			
2014	Sep.	T&D Financial Life launched <i>Shougai Premium Japan 3</i> [non-participating whole life insurance (accumulation rate renewing type I) and <i>Shougai Premium World 3</i> [non-participating foreign exchange rate linked type whole life insurance (accumulation rate renewing, multi-currency type III)]			

IR Activities

T&D Holdings, Inc. strives to promote investor relations (IR) activities based on the core principles of timeliness, fairness, and accuracy, with the aim of garnering the trust of and proper evaluation from investors and securities analysts.

In this section, we highlight the Company's IR activities and outline its IR policy.

EARNINGS ANNOUNCEMENT CALENDAR

November 14, 2014	Announcement of 2Q (interim) financial results for the year ending March 31, 2015
February 12, 2015	Announcement of 3Q financial results for the year ending March 31, 2015

* Planned as of August 31, 2014 and may change.

NUMBER OF IR MEETINGS

	Times
	Fiscal 2013
Financial results meetings for institutional investors and analysts	2
Financial results telephone conferences for institutional investors and analysts	4
Conferences sponsored by securities firms	7
One-on-one meetings	304
Information meetings for individual investors and sales persons at securities firms	3



▲ Q&A session at a financial results meeting for institutional investors and analysts ▶



IR POLICY

1. Purpose of IR Activities

T&D Holdings, Inc. strives to promote investor relations (IR) activities based on the core principles of timeliness, fairness, and accuracy, with the aim of garnering the trust of and proper evaluation from investors and securities analysts.

2. Individuals and Department Responsible for IR Activities

T&D Holdings' top management is in principle responsible for all IR activities and statements. However, officers or employees in charge of IR may act on behalf of management depending on the nature of the IR event, its scale, or other factors.

The IR department handles all inquiries from investors and securities analysts concerning the Company's IR activities.

3. IR Information

T&D Holdings strives to clearly and continuously provide information on the Group's business environment and management strategies, financial condition, and performance to investors and analysts.

Specifically, in addition to statutory and mandatory reporting requirements (including financial statements, "YUHO Report," earnings releases, "Tanshin Report," and other timely information), T&D Holdings also provides the following IR-related information.

- Materials for IR events (conferences, financial results meetings, IR fairs, etc.) for investors and analysts

- Annual reports and other IR-related booklets/publications

The IR information described above is available on T&D Holdings' website, including an IR site, as appropriate.

4. Feedback to Management

Useful information gathered from investors through IR activities is fed back to management such as to the Board of Directors, and Executive Committee through regular reporting.

5. Silent Period

In order to ensure fairness and prevent the unauthorized disclosure of financial information, T&D Holdings maintains a "Silent Period" in its IR activities for ten (10) days prior to the announcement of quarterly financial results. During this period, T&D Holdings refrains from commenting on financial results, and, in principle, from participating in IR events and IR meetings.

6. Formulation of IR Activity Plans and Verification

T&D Holdings formulates a work plan for IR activities at the beginning of each fiscal year, and activities are verified every quarter.

Verification of IR activities is done by considering neutral indicators such as objective figures and third-party evaluations, and results are reflected in, and used to enhance and improve, future IR activities.

Stock Information

As of March 31, 2014

BASIC INFORMATION

Stock Exchange Listings	Tokyo Stock Exchange
Industry and Security Code	Insurance, 8795
Trading Unit	100 shares
Number of Shares of Common Stock	Authorized: 1,932,000,000 Issued: 681,480,000
Fiscal Year-End	March 31 every year
Ordinary Shareholders' Meeting	June every year
Date of Record	Ordinary Shareholders' Meeting March 31 every year Dividends March 31 every year (interim dividend, when paid, on September 30)
Public Notice	<ul style="list-style-type: none"> • Electronic public notice (Japanese only) • URL: http://www.td-holdings.co.jp/public/ • If the Company is unable to issue an electronic public notice due to an accident or any other unavoidable reason, a public notice will be issued in the <i>Nihon Keizai Shimbun</i> (daily newspaper).
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan URL: http://www.tr.mufg.jp/english/
Number of Shareholders	265,627

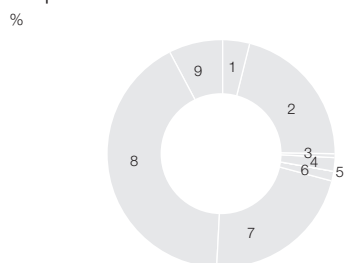
PRINCIPAL SHAREHOLDERS

Name of Shareholders	Number of Shares Held	Shares, % Share Holding
The Master Trust Bank of Japan Ltd. (Trust Account)	36,926,100	5.42
Japan Trustee Services Bank, Ltd. (Trust Account)	34,828,100	5.11
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	21,049,450	3.09
The Bank of New York Mellon, SA/NV 10	12,417,881	1.82
RBC IST OMNIBUS 15. 315 PCT NON LENDING ACCOUNT	11,881,400	1.74
The Bank of New York, Non-Treaty Jasdec Account	11,242,446	1.65
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	9,488,372	1.39
Japan Trustee Services Bank, Ltd. (Trust Account 1)	8,425,600	1.24
Komatsu Ltd.	8,167,500	1.20
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,869,800	1.15
Total	162,296,649	23.82

Note: In addition to the above, the Company holds 9,212,294 shares [1.35%] in treasury.

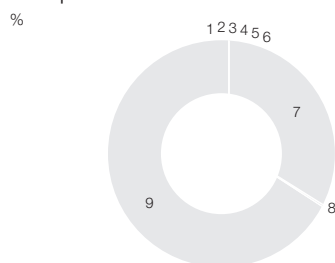
COMPOSITION OF SHAREHOLDERS AND SHARES

Proportion of Shares Held



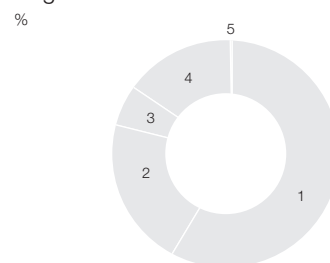
1 Banks	4.07
2 Trust Banks	21.41
3 Life Insurance Companies	0.61
4 Non-life Insurance Companies	1.80
5 Other Financial Institutions	0.03
6 Financial Instruments Firms	1.51
7 Other Corporations	21.60
8 Foreign Corporations and Other Foreign Investors	41.21
9 Individuals and Others	7.76

Composition of Shareholders



1 Banks	0.01
2 Trust Banks	0.01
3 Life Insurance Companies	0.01
4 Non-life Insurance Companies	0.00
5 Other Financial Institutions	0.00
6 Financial Instruments Firms	0.02
7 Other Corporations	33.97
8 Foreign Corporations and Other Foreign Investors	0.20
9 Individuals and Others	65.78

Regional Distribution of Shares Held



1 Japan	58.79
2 Europe	20.28
3 Asia and Pacific	5.56
4 U.S.	15.22
5 Foreigners and Foreign Companies in Japan	0.14

Group Companies

As of March 31, 2014

The T&D Life Group comprised the holding company, 15 consolidated subsidiaries, and 2 affiliated companies as of March 31, 2014.

Centered on the life insurance business, the T&D Life Group's operations are outlined below:

T&D Holdings, Inc.	<p>Insurance & Insurance-related Businesses <Seven Companies></p>	<p>Insurance</p> <ul style="list-style-type: none"> ■ Taiyo Life Insurance Company (Life insurance business) ■ Daido Life Insurance Company (Life insurance business) ■ T&D Financial Life Insurance Company (Life insurance business) ■ Pet & Family Small-amount Short-term Insurance Company (Small-amount short-term insurance business) <p>Insurance-related</p> <ul style="list-style-type: none"> ■ T&D Confirm Ltd. (Policyholder confirmation services) ■ Toyo Insurance Agency Co., Ltd. (Insurance agent) ■ Daido Management Service Co., Ltd. (Insurance agent)
	<p>Investment-related Businesses <Six Companies></p>	<p>Investment Management and Advisory</p> <ul style="list-style-type: none"> ■ T&D Asset Management Co., Ltd. (Investment Trust Management Advisory & Discretionary Investment Management) <p>Other</p> <ul style="list-style-type: none"> ■ T&D Lease Co., Ltd. (Leasing) ■ T&D Asset Management Cayman Inc. (Fund management and administration) ■ Taiyo Credit Guarantee Co., Ltd. (Credit guarantee services) ● Alternative Investment Capital, Ltd. (Investment in private equity funds) ● AIC Private Equity Fund General Partner, Ltd. (Fund management and administration)
	<p>Administration-related Businesses <Four Companies></p>	<p>Administration-related</p> <ul style="list-style-type: none"> ■ T&D Customer Services Co., Ltd. (Life insurance policy clerical services, including drafting, amendment, custody and distribution of documents, and delivery of securities) <p>General Affairs and Calculation-related</p> <ul style="list-style-type: none"> ■ T&D Information Systems, Ltd. (Computer software and system services) ■ Zenkoku Business Center Co., Ltd. (Premium collection) ■ Nihon System Shuno, Inc. (Premium collection)

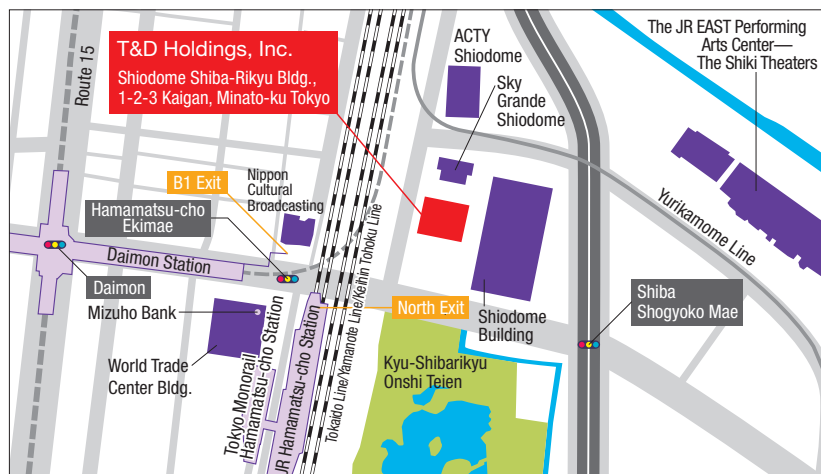
Companies marked by ■ are consolidated subsidiaries, and companies marked by ● are affiliated companies accounted for by the equity method.

Corporate Data

As of March 31, 2014

Company Name	T&D Holdings, Inc.
Date of Establishment	April 1, 2004
Location of Headquarters	1-2-3 Kaigan, Minato-ku, Tokyo 105-0022, Japan Tel: +81 3 3434-9111 Fax: +81 3 3434-9055
Type of Business	Management control of life insurance subsidiaries, under the Insurance Business Act of Japan and other laws and regulations, and other businesses associated with the above
Paid-in Capital	¥207,111.86 million
Number of Employees	93
Independent Auditors	Ernst & Young ShinNihon LLC
Contact	T&D Holdings, Inc., Investor Relations Tel: +81 3 3434-9142 Fax: +81 3 3434-9055
URL	http://www.td-holdings.co.jp/en/

ACCESS MAP



WEBSITE <http://www.td-holdings.co.jp/en/>



Investor Relations

ANNUAL REPORT WEBSITE GUIDE



T&D Holdings' latest Annual Report 2014 can be viewed on our website.

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