

Annual Report 2018

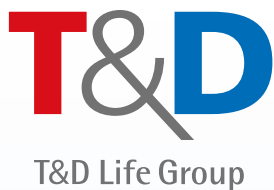
Integrated Report

Year ended March 31, 2018

Try & *Discover*

T&D Holdings, Inc.





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

T&D Life Group's Corporate Philosophy

Meaning of
the T&D Life Group's existence

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



Value Creation Story of the T&D Life Group

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T&D Life Group's Management Vision

Vision and direction aimed over medium- and long-term

From the customers' point of view

We aim to be the top insurance company in terms of customer satisfaction by providing the best products and services.

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

We aim to be a major life insurance group with a strong market presence by increasing our corporate value in a steady and sustainable manner by taking on new challenges toward growth.

Foundations Supporting the Corporate Value

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Greetings



The medium-term management plan, “Try & Discover for the Next Stage — A Three-Year Period for Expanding Our Growth Areas —,” started in April 2016, which the T&D Life Group united and created it together while I was the president of T&D Holdings. It was positioned as the first stage in a vision for the next 10 years and the primary theme of the plan was “expanding our growth areas.”

Our intention was to take necessary measures ahead of time to realize steady and sustainable growth of the Group, focusing on environmental changes such as the declining birth rate, aging society, decreasing population, and technological innovation. Based on this intention, we were able to achieve steady growth by the conclusion of the plan’s second year.

The environment is changing even faster now than at the time we formulated the medium-term management plan. Going forward, under our new president, we will consolidate the strengths of the Group companies to achieve further growth.

In closing, I would appreciate your continued understanding and support.

Representative Director and Chairman

Tetsuhiro Kida

My name is Hirohisa Uehara, and I assumed the post of president of T&D Holdings in April 2018, succeeding the former president Tetsuhiro Kida.

The T&D Life Group is a listed life insurance group, which centers on Taiyo Life Insurance Company, Daido Life Insurance Company, and T&D Financial Life Insurance Company, under T&D Holdings, Inc.

While leveraging the strengths of each of the three life insurance companies, we will pursue overall optimization as a group in order to bring out the group capabilities beyond the sum of individual companies. That is the kind of Group management I intend to pursue.

Bearing in mind that the future is not merely an extension of the present, we will strive to engage in management cognizant of the speed and decisiveness needed for corporate growth in an era of rapid environmental changes.

Going forward, the executives and employees of the Group will work as one to achieve steady and sustainable growth in corporate value through the unwavering practice of “Try & Discover.” I would appreciate your understanding and support for our efforts.



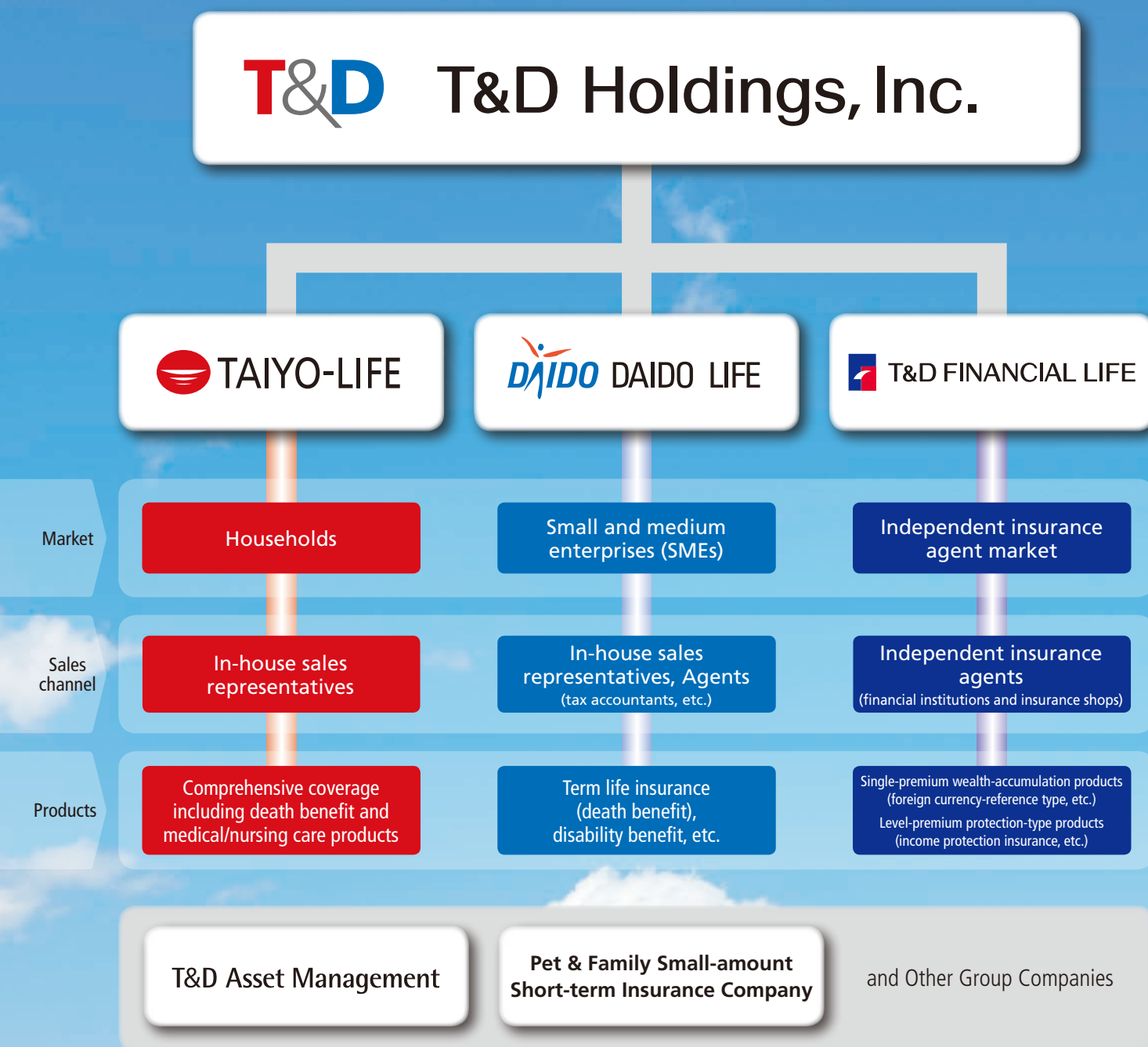
Representative Director and President

Hirohisa Uehara

Profile of the T&D Life Group

Uniqueness and expertise demonstrated by each of three life insurance companies with different business models

The T&D Life Group is a listed life insurance group which centers on three life insurance companies, Taiyo Life, Daido Life and T&D Financial Life. Under the holding company "T&D Holdings, Inc.," the three life insurance companies, which have different business models, maximize their uniqueness and expertise in their respective specialized markets, thereby steadily and sustainably improving Group corporate value.



Corporate Value (EV^{*1})

¥2,406.7 billion

Adjusted Net Income^{*2}

¥83.3 billion

Policy Amount in Force^{*3}

¥66.0 trillion

ESR^{*4}

168 %

Consolidated Total Assets

¥15.2 trillion

Consolidated Solvency Margin Ratio

1,061.8 %

Number of Group Employees

19,000

Credit Ratings^{*5}

AA-

Notes

*1 Embedded Value (EV): The sum of adjusted net worth and value of in-force business. EV serves as a key measure of corporate value and performance indicator for life insurance companies.

*2 Adjusted net income is calculated by adding net income and additional internal reserves in excess of the legal standard requirements related to reserves for contingency and price fluctuations (after taxes).

*3 Policy amount in force is the total of individual insurance, individual annuities and Daido Life's *J-type product*, *T-type product*, *Kaigo Relief* and *Kaigo Teiki Hoken*.

*4 Economic Solvency Ratio (ESR): ESR indicates capital adequacy based on economic value. Calculated by dividing net assets based on economic value (surplus) by the risk volume quantified using our internal model (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.

*5 T&D Holdings' long-term issuer ratings (As of Aug. 20, 2018). The rating agency is Japan Credit Rating Agency, Ltd. (JCR).

History of the T&D Life Group

The T&D Life Group was launched in 1999 through a broad business alliance concluded between Taiyo Life Insurance Company and Daido Life Insurance Company, both founded over 100 years ago.

T&D Financial Life Insurance Company later joined the Group, after which the holding company T&D Holdings was established in 2004 and listed on the stock exchange.

1893

Taiyo Life founded

Taiyo Life's predecessor company, Nagoya Life Insurance Co., Ltd., was established in fourth of the existing life insurance companies in Japan.



Taiyo Life former head office (Tokyo)
Construction completed in 1930



1902

Daido Life founded

Daido Life was founded through the merger of Kajimaya, which operated then Asahi Life Insurance Co. (a separate company from the current Asahi Mutual Life Insurance Company), with Gokoku Life Insurance Co. in Tokyo and Hokkai Life Insurance Co. in Hokkaido.



Daido Life former Higobashi head office (Osaka)
Construction completed in 1925



1999

Broad business alliance between Taiyo Life and Daido Life

In January 1999, Taiyo Life and Daido Life announced a broad business alliance and decided the Group name to be the "T&D Life Group" in June of the same year.



2001

T&D Financial Life joined T&D Life Group

Taiyo Life and Daido Life jointly acquired shares of T&D Financial Life (former Tokyo Life Insurance Company), which started operations as a member of the T&D Life Group.



2002

The Group's asset management companies were concentrated within T&D Asset Management Co., Ltd.

2004

Establishment of T&D Holdings, Inc.

In April 2004, T&D Holdings, Inc. was established as Japan's first holding company centered on the life insurance business. It was listed on the Tokyo Stock Exchange and Osaka Securities Exchange (current Osaka Exchange).



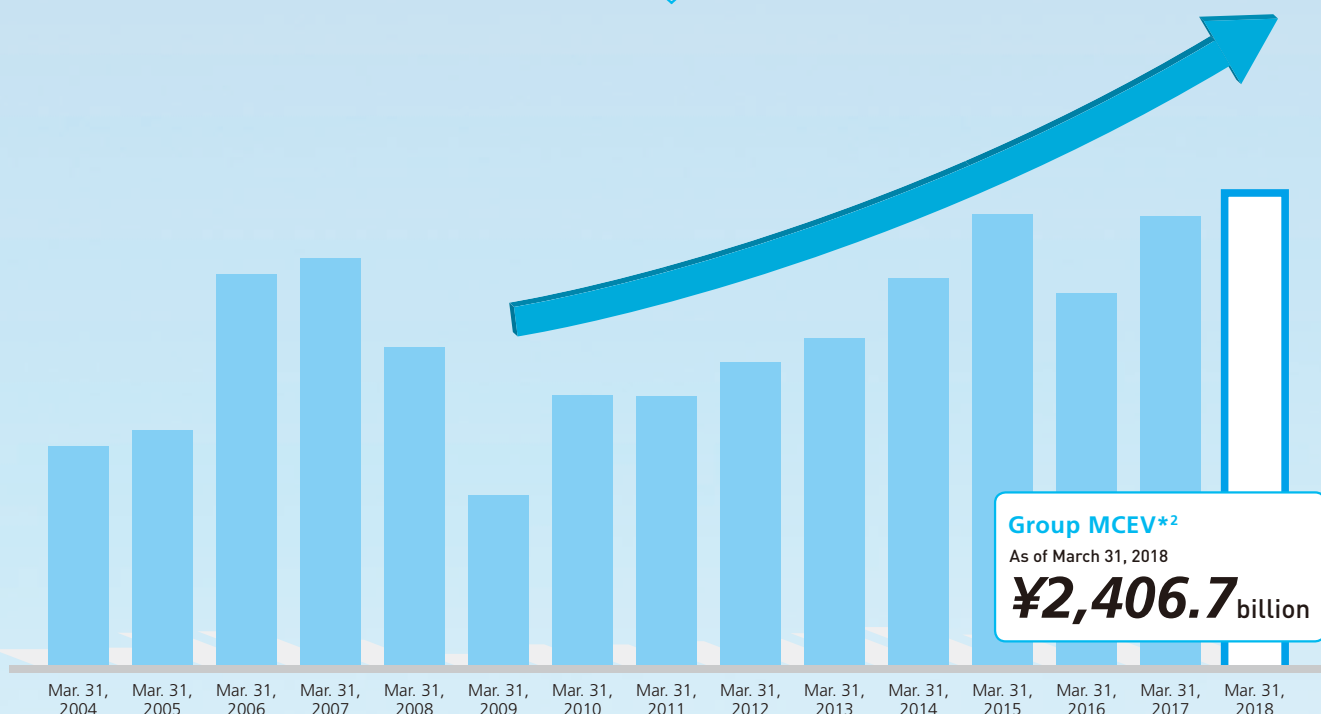
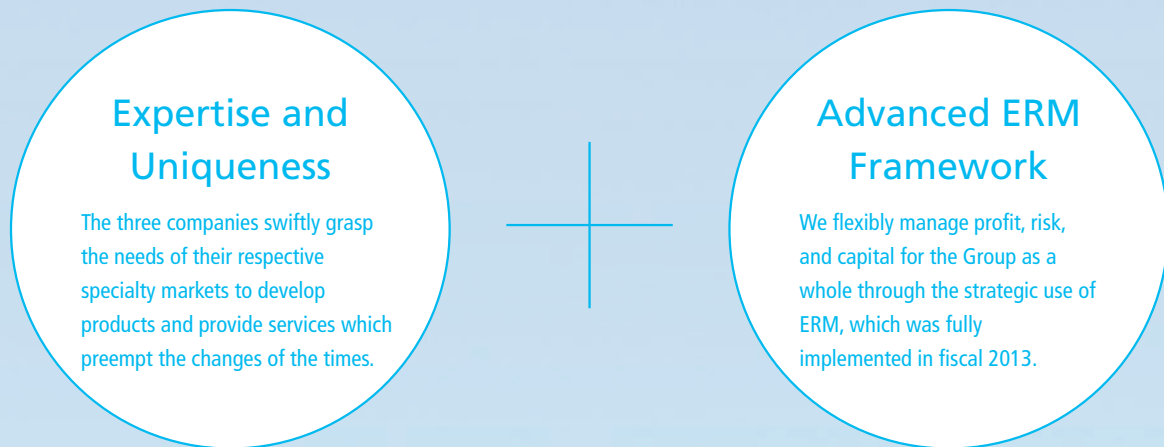
Head offices of three Group companies (T&D Holdings, Taiyo Life, and Daido Life) were relocated to Nihonbashi, Chuo-ku, Tokyo in 2016.



2007

Pet & Family Small-amount Short-term Insurance Company was made a subsidiary.

Amid a continuing environment of ultra-low interest rates, the T&D Life Group integrally promotes Enterprise Risk Management (ERM)*1 for the Group while leveraging the uniqueness and expertise that are the strengths of each of the three core life insurance companies. In this way, the Group is steadily and sustainably increasing its corporate value.



*1 For more details, please see the ERM section from page 88.
 *2 Values up to March 31, 2006 are based on TEV (Traditional Embedded Value); from March 31, 2007, to March 31, 2011, on EEV (European Embedded Value); and from March 31, 2012, and after on Group MCEV.

(Early years of the Group)	Period of recovery from financial crisis [Ensuring financial soundness Recovery of earnings Establishment of ERM framework]	Full implementation of ERM	Period for strengthening business platform Previous medium-term management plan FY2014-FY2015	Three years for expanding growth areas Current medium-term management plan FY2016-FY2018
Main events	<ul style="list-style-type: none"> • September 2008 Collapse of Lehman Brothers • March 2011 Great East Japan Earthquake 	<ul style="list-style-type: none"> • December 2012 Start of Abenomics 	<ul style="list-style-type: none"> • February 2016 Introduction of negative interest rate policy 	

Business Model and Value Creation Process of T&D Life Group

Business Environment

Technology innovation

- Increase in sophistication of IT such as big data and FinTech
- Advance in medical technology

Social environment

- Further decline in birthrate, aging population, and population decline
- Increasing need to make self-provision for pension, medical care, and nursing care

Opportunities

Increase in the senior population
Diversification of comprehensive coverage needs

Risks

Industry competition intensifies further amid major environmental changes

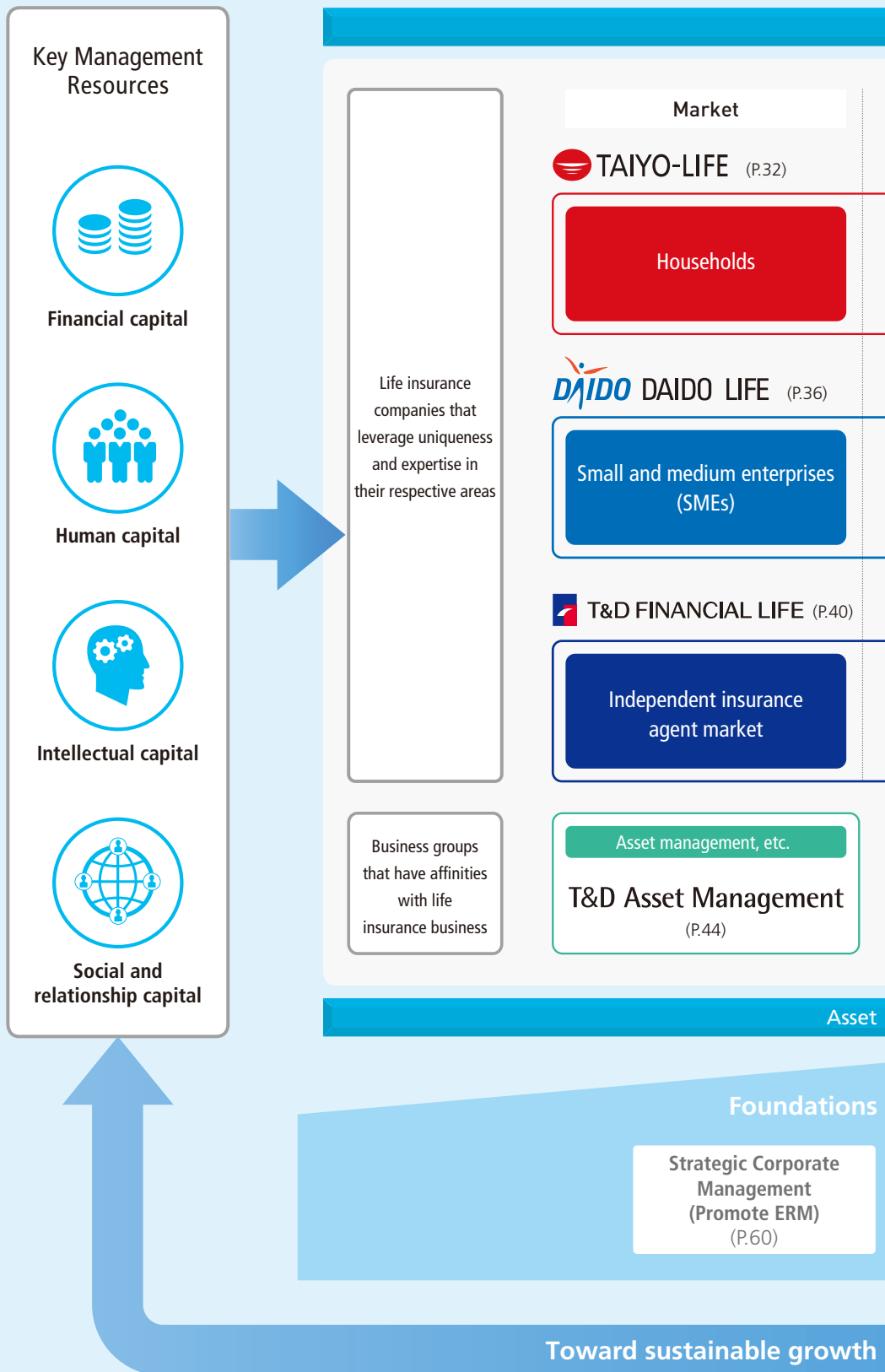
Economic and financial environment

- Continuing low interest rate environment
- Increased risk of future interest rate hike

Industry and regulatory environment

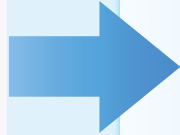
- Possible introduction of financial soundness indicators based on economic value
- Revision of standard yield rate
- Revision of standard mortality table

T&D Life Group's Business Model



Insurance underwriting

Sales channel	Products
In-house sales representatives	Comprehensive coverage including death benefit and medical/nursing care products
In-house sales representatives, Agents (tax accountants, etc.)	Term life insurance (death benefit), disability benefit, etc.
Independent insurance agents (financial institutions and insurance shops)	Single-premium wealth-accumulation products Level premium protection-type products
<p>Pet insurance</p> <p>Pet & Family Small-amount Short-term Insurance Company (P.45)</p>	and Other Group Companies



Value Created for Stakeholders

- Providing Peace of Mind through Insurance Products and Services
- Creation of Employment and Job Satisfaction
- Contribution to Local Communities and Societies
- Sustainable Growth of Shareholders' Interests



Customers



Shareholders



Tie-up Organizations



Employees



Local Communities/
Society



Business Partners

management

Supporting Value Creation

Robust Corporate Governance
(P.48)

Social and Environmental Initiatives
(P.66)

by sharing created value with society

T&D Life Group's Industry Position

Japan's Share of Global Life Insurance Market

Valued at approximately ¥32 trillion* based on annual premium income, Japan's life insurance industry boasts the third largest market in the world, following those of the U.S. and China. The latest research shows that 89.2% of households are enrolled in life insurance, and nine out of 10 households have taken out some form of it, making Japan an "insurance superpower."

*Converted at a rate of U.S. \$1 = ¥106.24 (as of end of March, 2018)

Domestic share of premium income (Year 2017)

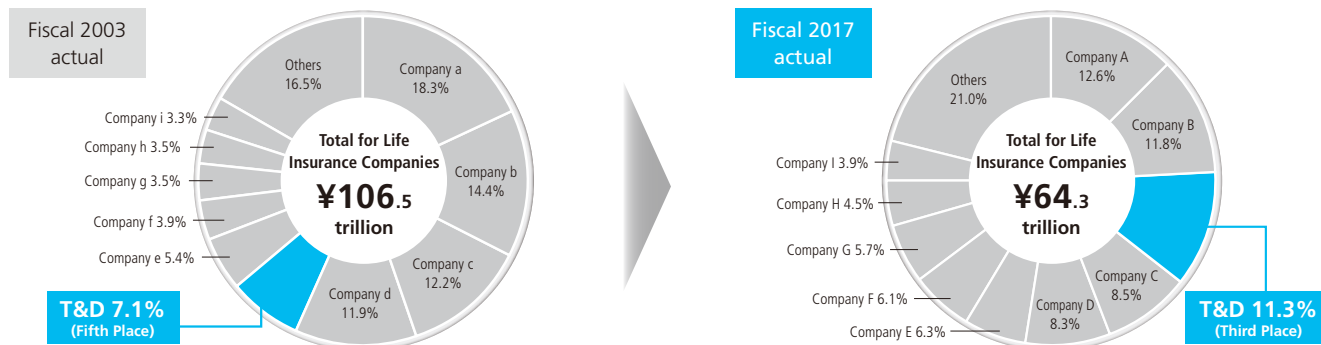
Rank	Country	Premium income (100 millions USD)	Share
1	United States	5,468	20.6%
2	China	3,175	12.0%
3	Japan	3,072	11.6%
4	United Kingdom	1,898	7.1%
5	France	1,535	5.8%
6	Italy	1,139	4.3%
7	Korea	1,028	3.9%
8	Taiwan	986	3.7%
9	Germany	969	3.7%
10	India	732	2.8%
	Others	6,570	24.5%
	World total	26,572	100.0%

Source: Compiled by T&D Holdings based on Swiss Re, Sigma No3/2018 WORLD INSURANCE IN 2017

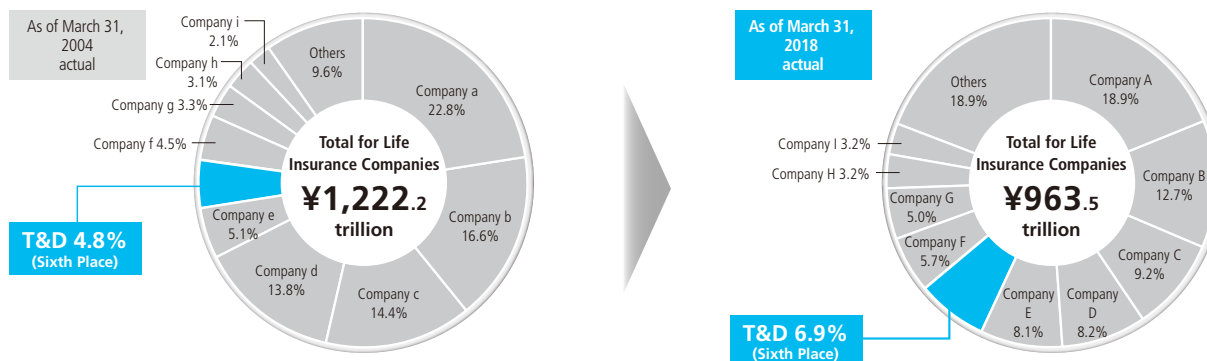
T&D Life Group Market Share Rising Steadily

T&D Life Group's market share (total of Taiyo Life, Daido Life and T&D Financial Life) based on policy amount in force was 6.9% as of March 31, 2018. The Group's market share has steadily expanded compared with the combined share of the three life insurance companies as of March 31, 2004, prior to the establishment of T&D Holdings, Inc. in April 2004.

New Policy Amount*



Policy Amount in Force*

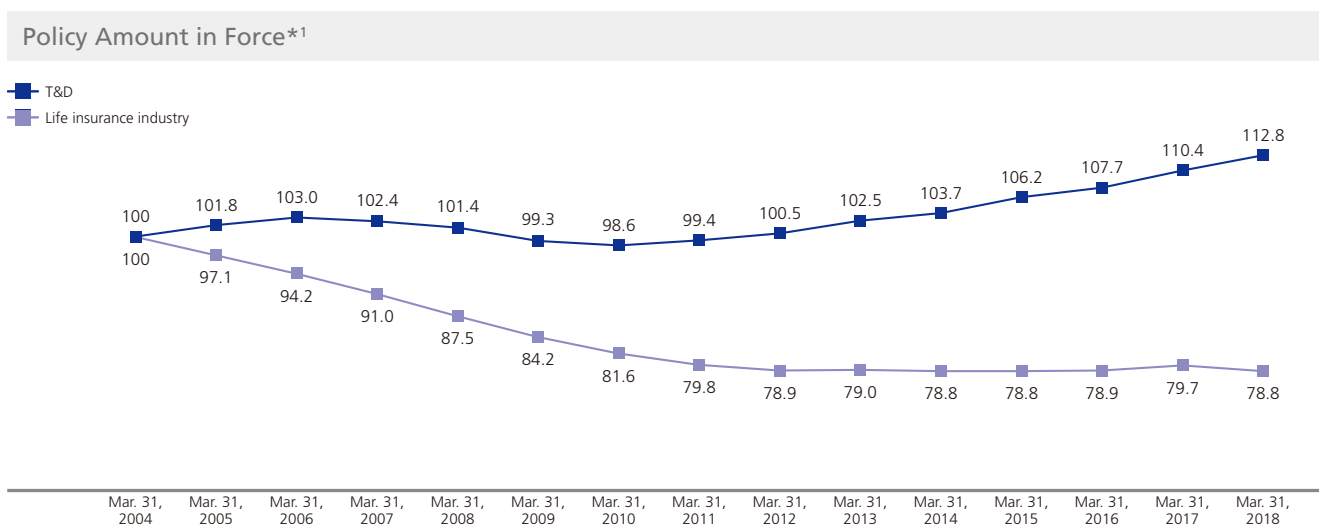


Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan, and the financial reports of each company.

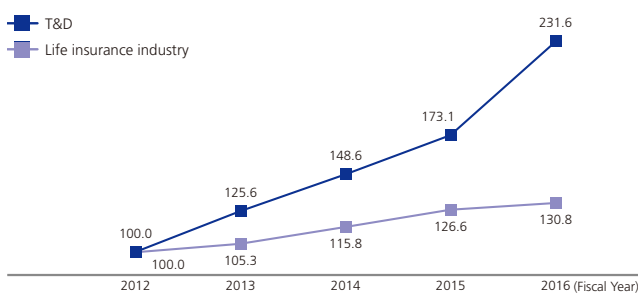
*The new policy amount and the policy amount in force above are the total of individual insurance, individual annuities and Daido Life's J-type product, T-type product, Kaigo Relief, and Kaigo Teiki Hoken.

Trend in Sales Performance (Reference)

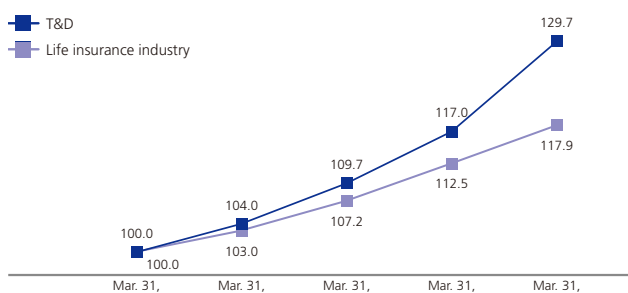
The graph below compares the trend in the sales performance (policy amount in force) of the T&D Life Group (the total value of Taiyo Life, Daido Life and T&D Financial Life), and the sales performance of the life insurance industry as a whole. The three life insurance companies have maintained their competitive advantage in their specialty markets, and sales performance has been trending firmly.



Third Sector Annualized Premiums of New Policies*2



Third Sector Annualized Premiums of Total Policies*2



Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan, and the financial reports of each company.

*1 The policy amount in force for the year ended March 31, 2004 are assumed to be 100.0 (base year). The policy amount in force is the total of individual insurance, individual annuities and Daido Life's J-type product, T-type product, Kaigo Relief, and Kaigo Teiki Hoken.

*2 The Annualized Premiums of new policies of fiscal 2012 and The Annualized premiums of total policies for the year ended March 31, 2013 in the third sector are assumed to be 100.0 (base year).

Soundness of T&D Life Group

The Group's ability to pay insurance claims has been highly evaluated by various rating agencies, indicating sufficient financial soundness.

	Rating Agency*			Solvency margin ratio
	Japan Credit Rating Agency, Ltd. (JCR)	Rating and Investment Information, Inc. (R&I)	Standard & Poor's (S&P)	
T&D Holdings, Inc.	AA-	—	—	1,061.8%
TAIYO-LIFE	AA-	AA-	A	835.1%
DAIDO LIFE	AA-	AA-	A	1,206.2%
T&D FINANCIAL LIFE	AA-	AA-	—	1,258.3%

As of August 20, 2018

As of March 31, 2018

*Long-term issuer rating for T&D Holdings and insurance claims paying ability ratings for the three life insurance companies.

The Year at T&D Life Group

Major topics in fiscal 2017

Products and Services

■ Taiyo Life

July 2017	Launched foreign currency denominated annuities, <i>My Nenkin Best Gaika</i> and <i>Ohisama Biyori Gaika</i>
October 2017	Launched <i>Centenarian Age Annuity</i> in the <i>Centenarian Age Series</i>
March 2018	<i>Kaketsuke-Tai Service</i> has been used over 45,000 times.



Ikana-Cat, the *Kaketsuke-Tai Service* mascot

■ Daido Life

April 2017	Began providing the <i>KENCO SUPPORT PROGRAM</i> , a tool to support implementation of Health and Productivity Management for SMEs
July 2017	Launched <i>HAL Plus Rider</i> , which covers treatment using the latest medical technology, the robot suit (HAL for Medical Use)
October 2017	Launched <i>Kaigo Teiki Hoken</i>



DAIDO KENCO ACTION activities to promote dissemination of Health and Productivity Management for SMEs

■ T&D Financial Life

May 2017	Launched single-premium whole life insurance, <i>Shogai Premium World 4</i> and <i>Shogai Premium Japan 4</i>
December 2017	Launched single-premium annuity, <i>Fivetenworld</i>



*Information about funds from Thomson Reuters Lipper Leaders serves as the basis of evaluation for the Thomson Reuters Lipper Fund Awards. It is not a recommendation to buy or sell investment trusts. Please note that Thomson Reuters Lipper Leaders analyzes past performance of funds, and past performance is not a guarantee of future results. Evaluation results are based on data and information from sources that Lipper deems reliable, but this does not constitute a guarantee that those results are accurate or complete.

External Evaluation, Awards, etc.

■ Taiyo Life ■ Daido Life

February 2018 Recognized as a “Certified Health and Productivity Management Organization” by the Ministry of Economy, Trade and Industry



■ Taiyo Life

September 2017 Received “Universal Manners Award (Innovation Division)” and “Jury Prize”

October 2017 Procedures Guidebook received “UCDA Award 2017”

November 2017 Received “Smart Life Project Award (Let’s extend healthy life expectancy!)”: Ministry of Health, Labour and Welfare, Director-General of Health Service Bureau Excellence Award

February 2018 Received “Third ACAP Consumer-Oriented Activities Award”

February 2018 Received “Brilliant Initiative Award (Director-General of Employment Security Bureau’s Award)” at the Second Awards for Enterprises and Workplaces with Pleasant Working Environments and High Productivity

■ Daido Life

September 2017 Received “Universal Manners Award (Inclusion Division)” and “Online Voting Grand Prix”

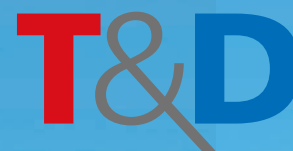
October 2017 Guide to Benefit Claim Procedures and Notification of Insurance Premium Bank Transfer and Guide to Insurance Premium Payment received “UCDA Award for Easy-to-Understand Information”

November 2017 Received “Telework Pioneer 100: Minister for Internal Affairs and Communications Award”

November 2017 Received Grand Prize at Minister of Health, Labour and Welfare’s “Good Career Company Awards 2017”

■ T&D Asset Management

March 2018 T&D India Mid-Small Cap Equity Fund received “Best Fund Award” at the Lipper Fund Awards Japan 2018* for the fourth consecutive year.



Other Events

■ Group Companies

June 2017 Formulated Basic Policy on Customer-oriented Business Operations

■ T&D Holdings

July 2017 Selected for the new ESG indexes (FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index) adopted by GPIF

In addition to the above, T&D Holdings has been included as a constituent stock in the following SRI/ESG indexes (as of July 1, 2018): FTSE4Good Index Series/Morningstar SRI Index/MSCI ESG Leaders Indexes

■ Taiyo Life

July 2017 Invested jointly with SHIMADZU CORPORATION in MCBI Inc., provider of the MCI Screening Test that can detect mild cognitive impairment at an early stage

■ Daido Life

November 2017 Concluded a comprehensive cooperation agreement with Osaka Prefecture

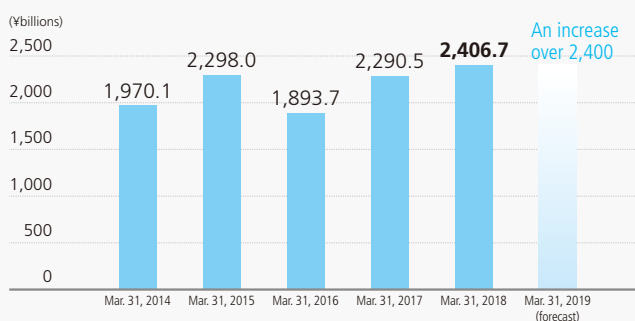
Financial Highlights

Key performance indicators (Group MCEV, value of new business, and adjusted net income) progressed steadily against the targets of the medium-term management plan.

Key Performance Indicators

Group MCEV*

¥ **2,406.7** billions ↑ 5.1 %

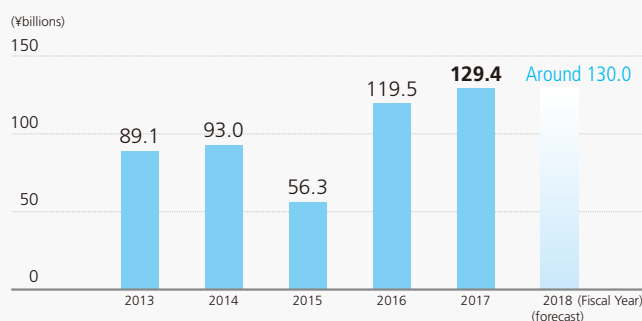


*Please see page 88 for more details on embedded value (EV).

The Group MCEV as of March 31, 2018 was ¥2,406.7 billion, recorded an all-time high, an increase of ¥116.1 billion from the previous fiscal year-end. This increase was mainly due to the accumulation of value of new business and an increase in net unrealized gains on securities. In fiscal 2018, Group MCEV is expected to increase further from ¥2.4 trillion mainly due to the accumulation of value of new business.

Value of New Business*

¥ **129.4** billions ↑ 8.3 %

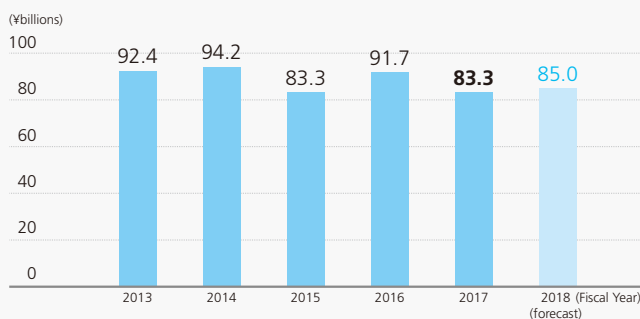


*Please see page 90 for more details on the value of new business.

In fiscal 2017, the value of new business was ¥129.4 billion, an increase of ¥9.9 billion from the previous fiscal year, primarily due to steady sales of mainstay products in medical benefits, living benefits, and others, in addition to the premium rate revision in April 2017. In fiscal 2018, the value of new business is expected to be around ¥130.0 billion, almost the same amount as the previous fiscal year.

Adjusted Net Income*

¥ **83.3** billions ↓ 9.2 %

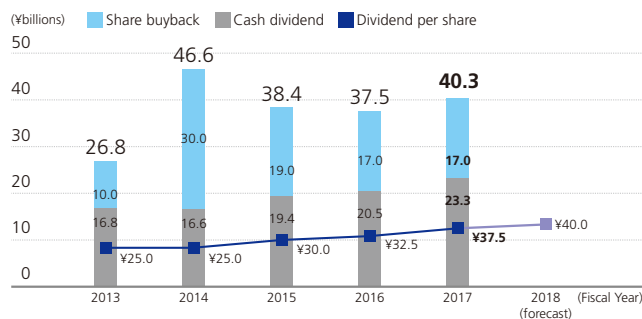


**Adjusted net income* is calculated by adding net income and additional internal reserves in excess of the legal standard requirements related to reserves for contingency and price fluctuations (after taxes).

In fiscal 2017, although a decrease from the previous fiscal year, adjusted net income recorded a steady result of ¥83.3 billion, exceeding the full-year earnings forecast of ¥79.0 billion. In fiscal 2018, adjusted net income is expected to increase to ¥85.1 billion.

Return to Shareholders

¥ **40.3** billions ↑ 7.5 %



In fiscal 2017, the Company paid a cash dividend of ¥37.5 per share, an increase of ¥5.0 from the previous fiscal year, and represents an increase in dividends for three consecutive terms. In addition, the Company conducted a share buyback worth ¥17.0 billion (roughly 5.73 million shares), providing a total return to shareholders of ¥40.3 billion.

Consolidated Results of Operations

Ordinary Revenues

¥ **1,928.3** billions ↓ **2.4** %

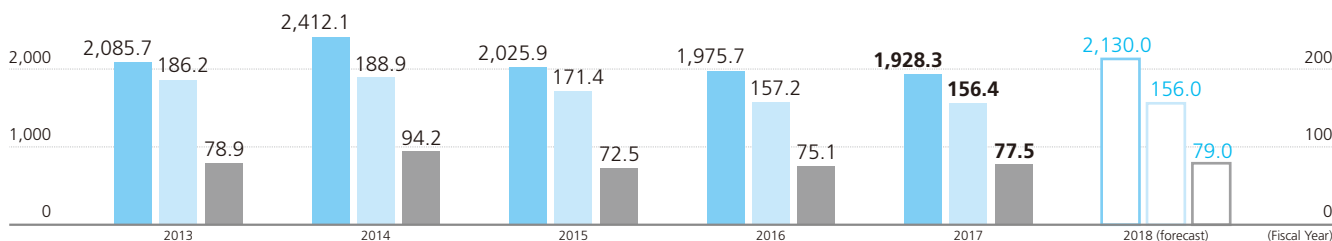
Ordinary Profit

¥ **156.4** billions ↓ **0.5** %

Profit Attributable to Owners of Parent

¥ **77.5** billions ↑ **3.2** %

(¥billions) ■ Ordinary Revenues (left) ■ Ordinary Profit (right) ■ Profit Attributable to Owners of Parent (right) (¥billions) 3,000 300



Consolidated Results of Operations Ordinary profit was ¥156.4 billion, almost the same amount as the previous fiscal year. The increase in the provision for standard policy reserve due to the premium rate revision, etc., last April had a negative impact, while the interest, dividends and income from real estate for rent increased. Profit attributable to owners of parent increased by ¥2.3 billion year-on-year to ¥77.5 billion.

Full-year Earnings Forecasts Ordinary revenues are projected to increase by 10.5% to ¥2,130.0 billion, mainly due to an increase in income from insurance premiums, while ordinary profit is projected to be comparable to the current fiscal year at ¥156.0 billion, and profit attributable to owners of parent is projected to increase to ¥79.0 billion.

Fiscal 2018 Full-year Earnings Forecasts (Three Life Insurance Companies)

(¥billions)

	Taiyo Life		Daido Life		T&D Financial Life	
	Fiscal 2017 (actual)	Fiscal 2018 (forecasts)	Fiscal 2017 (actual)	Fiscal 2018 (forecasts)	Fiscal 2017 (actual)	Fiscal 2018 (forecasts)
Ordinary revenues	738.7	760.0	988.0	1,010.0	196.4	340.0
Ordinary profit	62.7	63.0	89.3	94.0	2.5	(2.0)
Net income	30.4	30.0	44.5	50.0	1.5	(2.0)
Sales performance indicators	Protection-type annualized premiums* ¹		Policy amount* ²		Policy amount* ²	
New policy sales results	16.3	17.0	5,231.4	6,120.0	354.7	510.0
Policy in force sales results	153.7	156.0	42,803.5	45,200.0	2,052.7	2,420.0
Income from insurance premiums	511.9	530.0	790.8	820.0	176.4	310.0
Core profit	48.5	46.0	100.7	105.0	(0.8)	(3.0)
Positive spread	11.6	12.0	33.3	34.0	(2.5)	(2.0)

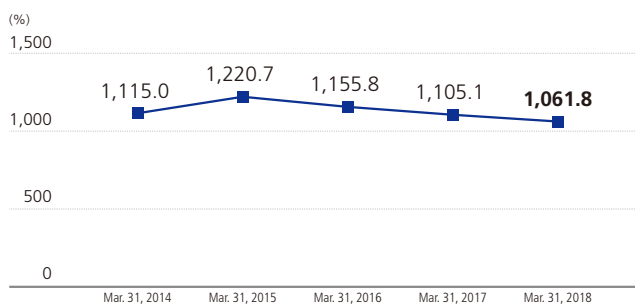
*1 A performance indicator of Taiyo Life, which is the sum of the protection portion of the annualized premiums, mainly excluding savings-type products.

*2 The new policy amount and policy amount in force include individual insurance and individual annuities. The new policy amount includes a net increase from conversions. For Daido Life, the new policy amount and policy amount in force in the above table includes J-type product, T-type product, Kaigo Relief, and Kaigo Teiki Hoken.

Financial Soundness

Consolidated Solvency Margin Ratio*

1,061.8 % ↓ **43.3** points

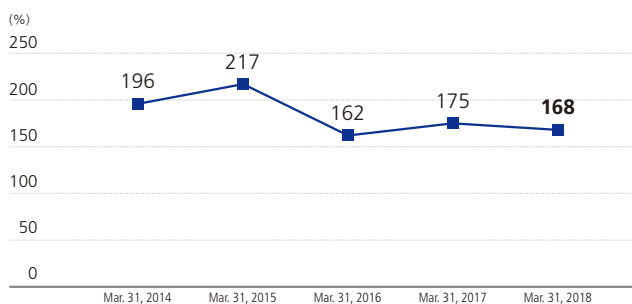


*Please see page 90 for more details on solvency margin ratio.

The solvency margin ratios in fiscal 2017 were 1,061.8% for T&D Holdings on a consolidated basis, 835.1% at Taiyo Life, 1,206.2% at Daido Life, and 1,258.3% at T&D Financial Life, indicating sufficient financial soundness.

ESR*

168 % ↓ **7** points



*Please see page 88 for more details on ESR.

The economic solvency ratio, which represents economic value based on capital adequacy, decreased by 7 percentage points from the previous fiscal year-end to 168%, due to an increase in the amount of investment risk caused by the rise in net exposure to domestic stocks and foreign currencies, despite an increase in surplus.

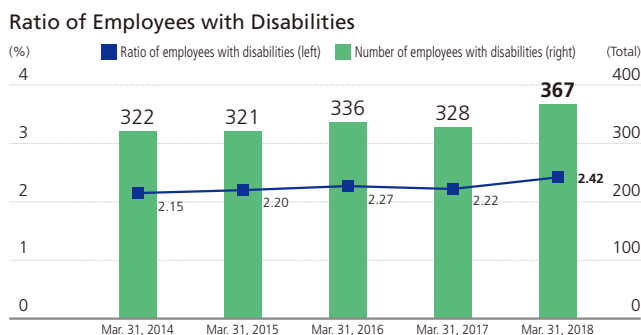
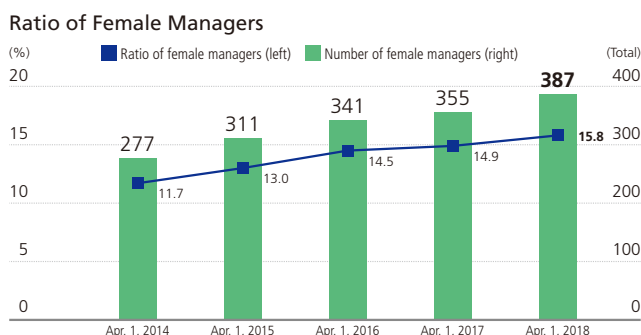
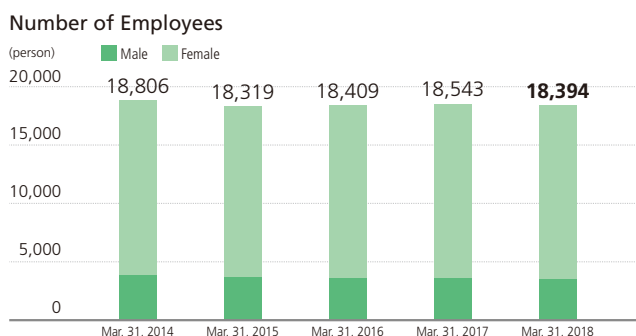
Non-financial Highlights

Promoting a Diverse Workforce

T&D Life Group has been promoting to nurture a corporate culture where diverse human resources can feel job satisfaction and reach their potential.

Given that women represent the majority of the Group's employees, the active participation of female employees is recognized as a crucial management priority. To this end, each Group company is working to revise their respective personnel and compensation systems, as well as introducing various support systems to enhance work-life balance.

The Group is also making efforts to build a comfortable workplace for the disabled, and promoting initiatives to employ people with disabilities.

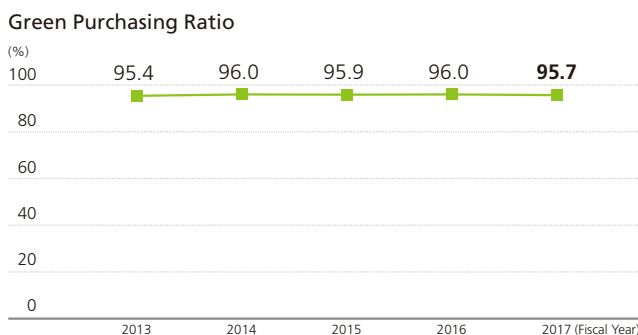
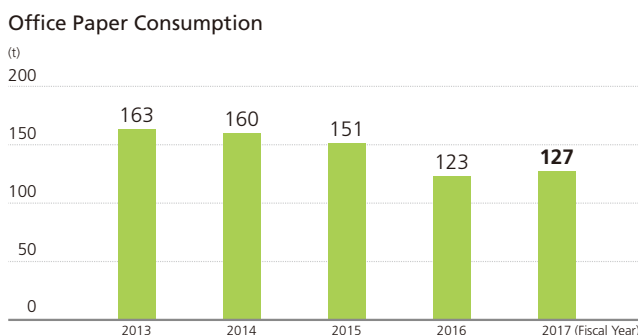
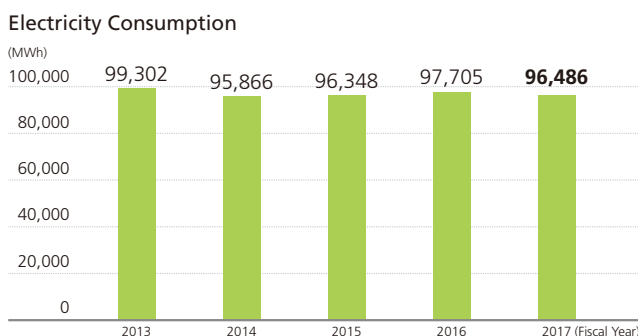


The number of employees, the ratio of female managers, and the ratio of employees with disabilities above are calculated based on the aggregate data of three life insurance companies. The ratio of female managers is calculated based on the data as of April 1, the month following each fiscal year end.

Environmental Initiatives

As more than 90% of the CO₂ emission derive from electricity use at the T&D Life Group, the Group is setting targets for electricity use and striving to reduce energy consumption.

The Group is also engaged in initiatives to reduce the environmental burden by reducing the consumption of office paper through the promotion of paperless meetings, and also by promoting "Green Purchasing," which gives priority to products that are compliant with the Green Purchase Act and to Eco Mark products when procuring offices stationery and other supplies.



Strategies for Value Creation

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Message from the President



We will realize sustainable growth by creating “value for society” and “value for the enterprise” through our business.

Hirohisa Uehara

Representative Director and President

1. Goal of the T&D Life Group

The T&D Life Group (the “Group”) has set its Corporate Philosophy as “With our ‘Try & Discover’ motto for creating value, we aim to be a group that contributes to all people and societies.” In accordance with this Corporate Philosophy, we would like to share our goals and concrete value creation with our shareholders and investors.

Aiming to realize sustainable growth through value creation leveraged by our strengths

The Group sets life insurance business at its core, which is founded on the spirit of mutual aid. Therefore, “contributing to all people and societies” is our most basic philosophy. Confronting the issues facing people and society (hereinafter, “social issues”) through our business and contributing to the development of a sustainable society is the fundamental mission inherited in the DNA of our Group companies with their long history in the life insurance business.

The Group has been providing insurance products and services needed by society ever since Taiyo Life, Daido Life

and T&D Financial Life were brought together under the holding company T&D Holdings, in April 2004. The Group’s major characteristic and its strength are the fact that the three companies possess highly unique and specialized business models in which they provide optimal products via ideal sales channels to meet the needs of their respective specialty markets.

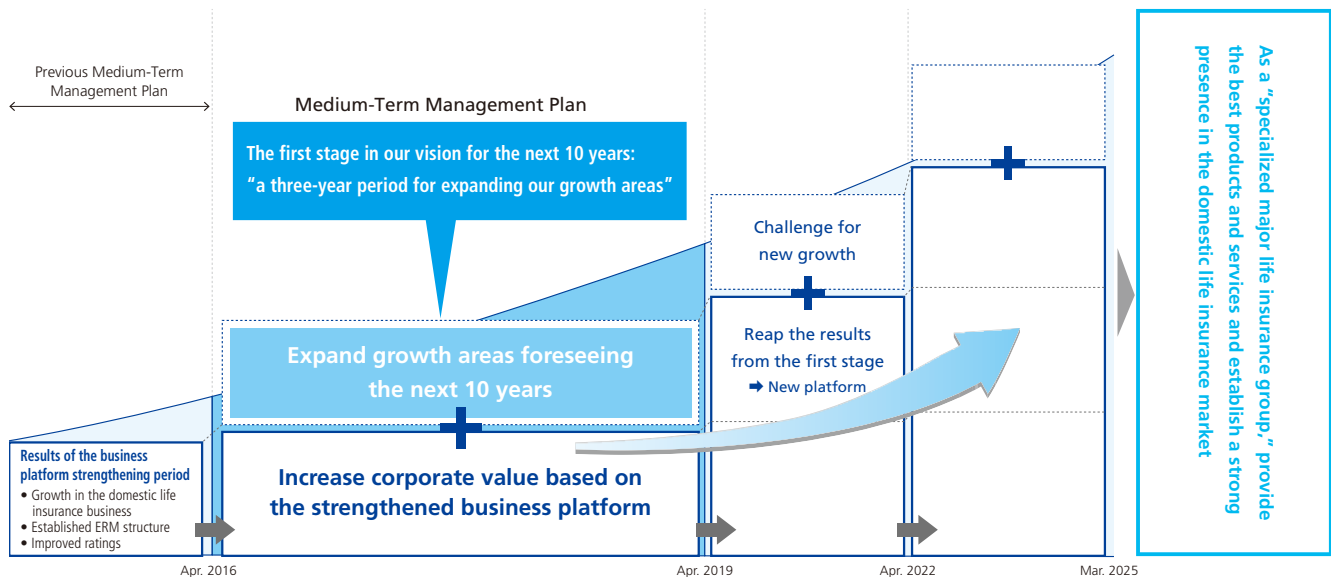
Under the Group’s Corporate Philosophy, our goal is to leverage these strengths and realize a sustainable society by creating “value for society” and “value for the enterprise.”

2. T&D Life Group's Value Creation — Positioning and Progress of Medium-Term Management Plan

Medium-Term Management Plan — “A three-year period for expanding our growth areas” foreseeing the next 10 years

We are currently working on our three-year medium-term management plan, “Try and Discover for the Next Stage — A Three-Year Period for Expanding Our Growth Areas,” which started in April 2016. Under this plan, the T&D Life Group

aims to steadily and sustainably increase its corporate value (EV), based on the three overall policies for the next 10 years shown in the chart below.



Three Overall Policies

- Positioning the domestic life insurance business as the core, the T&D Life Group will strengthen its initiatives in the senior market and the independent insurance agent channel with the goal of further expanding growth areas in addition to the established platform
- Pursue alliance and M&A opportunities to strengthen competitiveness, expand market share, and improve profitability in the domestic life insurance market
- Strategically utilize the ERM to promote effective use of stockholders' equity and realize high profitability while ensuring financial soundness

As a result of steadily carrying out the medium-term management plan, which sets the domestic life insurance business at its core, key performance indicators continued to progress solidly.

	Key Performance Indicators	Target of the Medium-Term Management Plan	FY2015/Mar. 31, 2016 [Reference : Previous Medium-Term Management Plan Period]	FY2016/Mar. 31, 2017	FY2017/Mar. 31, 2018 (Previous Fiscal Year-end/Year-on year Comparison)
Corporate Value (EV)	Group MCEV	As of March 31, 2019 ¥2,400.0 billion	¥1,893.7 billion	¥2,290.5 billion	¥2,406.7 billion [+5.1%]
	Value of New Business	FY2018 ¥100.0 billion	¥56.3 billion	¥119.5 billion	¥129.4 billion [+8.3%]
Profit (financial accounting)	Adjusted net income*	FY2016 to FY2018 Around ¥85.0 billion	¥83.3 billion	¥91.7 billion	¥83.3 billion [(9.2%)]

* Adjusted net income is calculated by adding net income and additional internal reserves in excess of the legal standard requirements related to reserves for contingency and price fluctuations (after taxes).

In fiscal 2017 (fiscal year ended March 31, 2018), the second year of the medium-term management plan, all key performance indicators made solid progress against our targets. Group MCEV was ¥2.4067 trillion (medium-term management plan target: ¥2.4 trillion by March 31, 2019), value of new business was ¥129.4 billion (medium-term

management plan target: ¥100.0 billion in fiscal 2018), and adjusted net income was ¥83.3 billion (target: approximately ¥85.0 billion during the three years of the medium-term management plan). We believe this is mainly attributable to the steady results of the following two initiatives.

Transformation of the Product Portfolio

Taiyo Life and Daido Life have long been steadily accumulating death benefits. Under the medium-term management plan, they are working to expand coverage such as Third Sector and disability benefit insurance in response to the diversification of customer needs against the backdrop of the growing senior market. In fiscal 2017, under a low interest

rate environment and a changing competitive environment caused by revision of the standard yield rate in April 2017, the revision of the standard mortality table in April 2018 and other factors, each life insurance company implemented swift and flexible product development and revision.

Strengthening Initiatives for the Senior Market

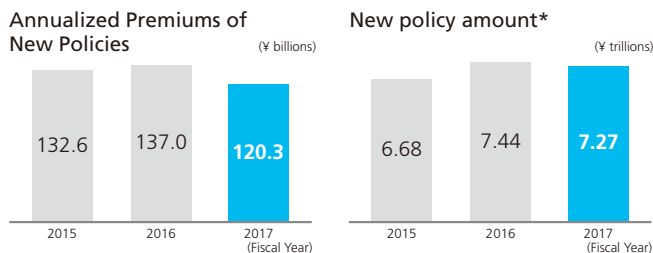
Each life insurance company are promoting the offering of distinctive products and services in an integrated manner in response to the needs of its respective specialty markets, in a measure to develop and cultivate the senior market with a view to "expanding growth areas." They are also pursuing

initiatives to support disease prevention and health promotion for customers with the aim of realizing a fulfilling longevity society.

(For details on initiatives at each company, please see the section starting from page 30.)

Results of domestic life insurance business (marketing strategy)

New policy sales declined year on year following a suppression/discontinuation of savings-type products, reaction against the concentration of sign-ups at the previous fiscal year-end and other factors, etc.



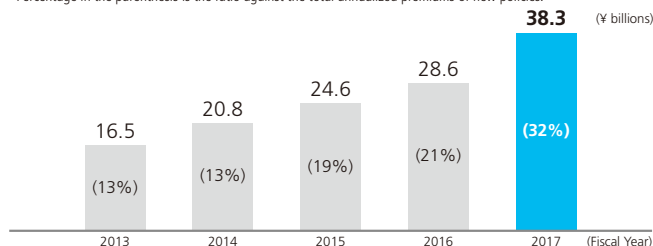
On the other hand,

transformation of the product portfolio progressed

- ✓ Expanding to third sector/disability benefit products
- ✓ Discontinued/suppressed sales of savings-type products
- ✓ Implementation of premium rate revision and introduction of new products

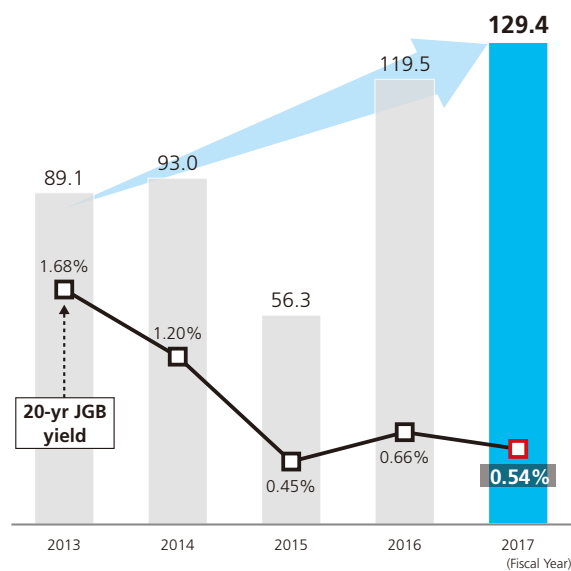
Trends in Third Sector Annualized Premiums of New Policies

*Percentage in the parenthesis is the ratio against the total annualized premiums of new policies.



Value of New Business

(¥ billions)



New business margin*

Total of all products	2013	2014	2015
	3.5%	6.3%	8.5%

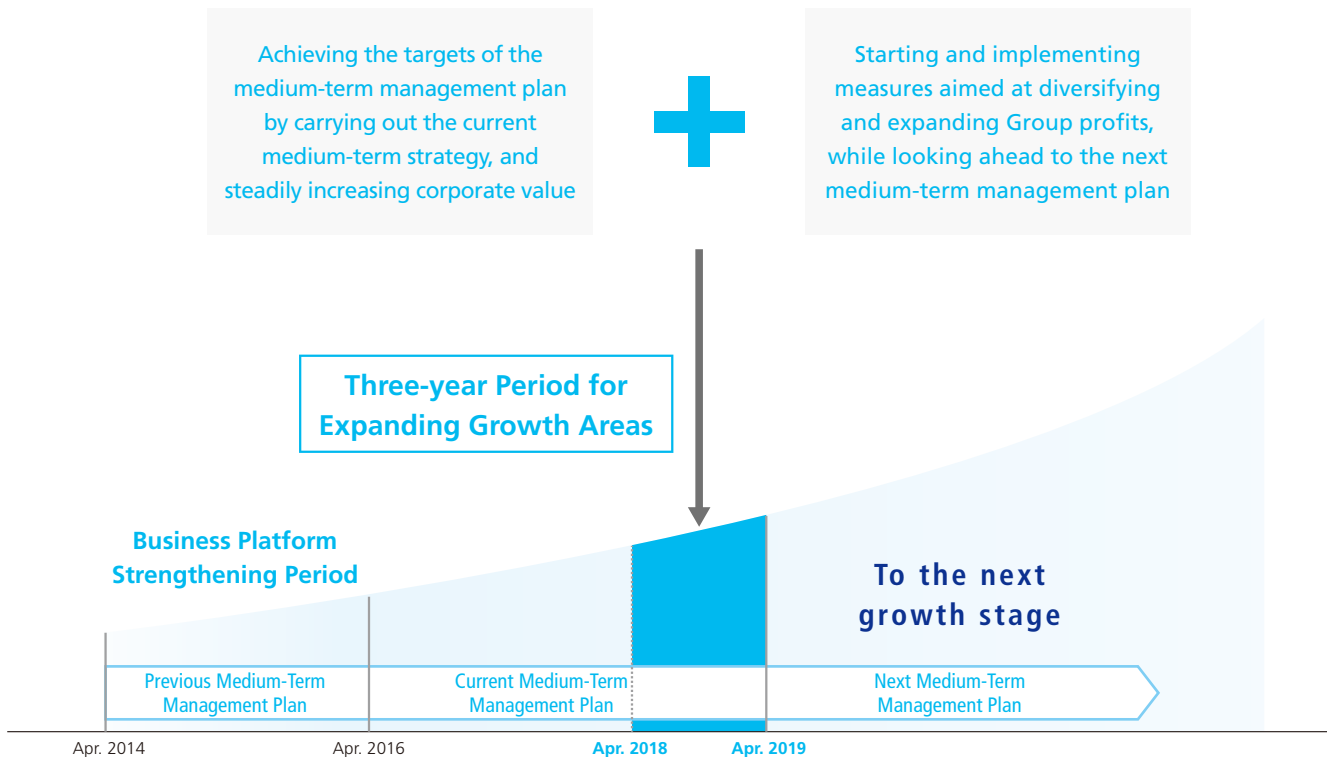
*New business margin = Value of new business ÷ Present value of new business premiums

3. T&D Life Group Value Creation — Fiscal 2018 Initiatives

Fiscal 2018 is a year to accomplish the current medium-term management plan, and at the same time start and implement various measures which will lead to the results of the next medium-term management plan

In fiscal 2018, the final year of the current medium-term management plan, the Group aims to continuously realize a high level of value of new business through the accomplishment of the current medium-term strategy centered on the domestic life insurance business. Another aim is to further

increase EV, which represents corporate value, beyond the target of ¥2.4 trillion. In addition, the Group will start and implement various measures during the year aimed at diversifying and expanding Group profits, as it looks ahead to the next medium-term management plan.



Promoting three strategies in an organic, integrated manner

Specifically, we will work on three strategies: the “Group Growth Strategy,” the “Group Financial Strategy,” and the “Group Management Platform Strategy.”

First, under the Group Growth Strategy, we will promote diversification of revenue sources. As a new business, we will acquire new revenue sources through measures such as domestic life insurance M&As and investment in peripheral financial businesses. At the same time, we will enhance the profitability of the existing businesses by reinforcing the profitability of T&D Asset Management and Pet & Family. In addition, we will pursue efforts in areas such as senior, healthcare and digital, which will enhance the

sophistication of the domestic life insurance business from the Group’s perspective.

Under the Group Financial Strategy, we will examine ways to simultaneously pursue financial soundness and capital efficiency. Under the Group Management Platform Strategy, we aim to strengthen the Group’s management platform (by enhancement of Group governance, development of human resources, branding, etc.) to pave the way for the realization of the Growth Strategy and the Financial Strategy. By starting and implementing these initiatives, we intend to make fiscal 2018 the run-up to our next growth stage.

4. Foundations Supporting Corporate Value — Social and Environmental Initiatives

Promoting Group CSR activities aimed at contributing to the development of a sustainable society and increasing corporate value in a stable and sustainable manner

Enterprises are expected to play significant roles in achieving the “Sustainable Development Goals (SDGs)*¹” adopted by the United Nations, and their efforts for contributing to the development of a sustainable society through business activities are attracting attention. In addition to contributing to the development of a sustainable society, the Group has set three “CSR priority areas” (see chart on right) which should be prioritized for the steady and sustainable improvement of its corporate value.

The Group strives to develop its CSR by sharing the initiatives of Group companies through the Group CSR Committee.*² The Group also works to improve its CSR continuously by regularly confirming and verifying the status of activities and reflecting the results in its next plan.

*1 Goals adopted at the United Nations Sustainable Development Summit 2015, for the realization of sustainable development at the global level with the cooperation of the global community.

*2 Chair: President of T&D Holdings; Members: Directors and general managers in charge of CSR at each Group company (For details regarding social and environmental initiatives, please see page 66-69 of this report)

Our Priority Areas



5. Foundations Supporting Corporate Value — Corporate Governance

Aiming for efficient and transparent management system to enable flexible Group management with unifying force

The Group aims for efficient and transparent management systems to enable flexible Group management with unifying force. To that end, the Group works continuously to enhance corporate governance according to the following five basic

approaches: (1) developing a conducive environment for shareholders to appropriately exercise their rights and ensuring the effective equality of all shareholders, (2) fostering a sound corporate culture and work environment, (3) increasing the transparency of management, (4) ensuring the effectiveness of the oversight function over execution of business, and (5) engaging in constructive dialogue with stakeholders.

As a Group that has three life insurance companies with different business models, the Group clarifies the respective roles and responsibilities of T&D Holdings and its directly owned subsidiaries in promoting group management. T&D Holdings fulfills the roles of deciding on the Group’s strategy, appropriately allocating the Group’s business resources and formulating capital strategies. Along with this, T&D Holdings has established a Group business management system through such means as using ERM to integrally manage profit, risk and capital for the Group as a whole on an economic value basis.

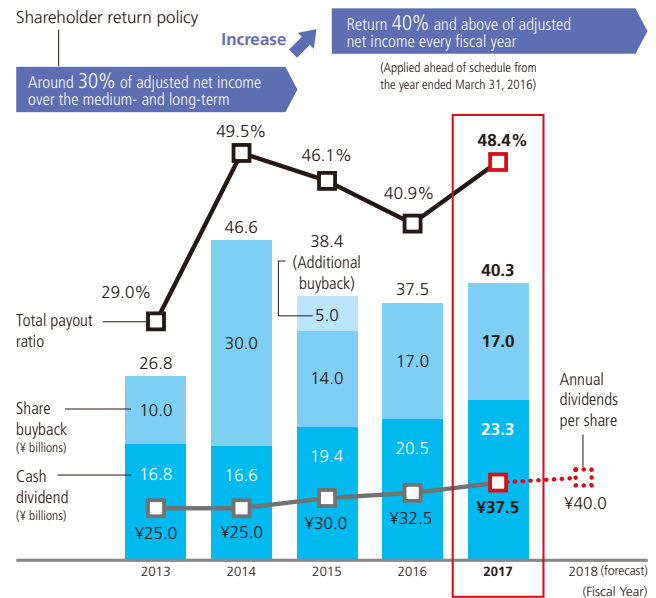


6. Return to Shareholder

Return to Shareholder of ¥40.3 billion (total payout ratio of 48.4%) was implemented in fiscal 2017

In fiscal 2017, the Company paid a cash dividend of ¥37.50 per share, a total of ¥23.3 billion, which was an increase for the third consecutive fiscal year. In addition, as a result of implementing a share buyback at a total cost of ¥17.0 billion during the period of May to June 2018, the total payout ratio for fiscal 2017 was 48.4%, and the total return was ¥40.3 billion (as of June 30, 2018).

The Company plans to pay a dividend of ¥40 for fiscal 2018, an increase for the fourth consecutive fiscal year. Based on the return policy of the medium-term management plan, which is to implement shareholder return of 40% and above of adjusted net income through a “stable cash dividend” and “flexible share buyback,” the Company will continue to take measures to enhance shareholder return in fiscal 2018 in response to feedback from shareholders and investors.



7. Heading Towards Future Growth

Constantly evolving social issues are “a business chance to be tackled”

During fiscal 2017, the second year of the medium-term management plan, we made solid progress on key performance indicators, and were able to achieve steady results toward achieving our targets. In fiscal 2018, in addition to accomplishing the medium-term strategy centered on the domestic life insurance business, the Group will start and implement specific measures based on the three strategies, namely, the “Group Growth Strategy,” the “Group Financial Strategy,” and the “Group Management Platform Strategy.”

We believe that an enterprise that can achieve mid- to long-term growth is one that contributes to the

development of society and generates appropriate profit through its business. Ever-changing social issues are a business chance for the Group to be tackled. As we approach the 15th anniversary of the establishment of T&D Holdings and the start of a new medium-term management plan in April 2019, we will return again to the Group’s Corporate Philosophy and through the united efforts of all Group executives and employees, we will aim to be a life insurance group that grows sustainably. In closing, I would appreciate the continued support of all our shareholders and investors.

Hirohisa Uehara

Representative Director and President

Special Feature

Interview between an Investor and the President

The T&D Life Group is implementing a management plan foreseeing the next decade. The two held an exchange of opinions on what will be needed to realize the plan and how the governance system should be.



Special Interview

Akitsugu Era

Director, Head of Investment Stewardship
BlackRock Japan Co., Ltd.



Hirohisa Uehara

Representative Director and President

The Ideas Embedded in the Group's Corporate Philosophy

Era

T&D Holdings (the "Company") was launched in 2004 and will mark its 15th anniversary in 2019. Could you tell us again about your corporate philosophy, in light of the course of history so far?

Uehara

The T&D Life Group (the "Group") began with a broad business alliance conducted between Taiyo Life and Daido Life in 1999. At the time, in the late 1990s, there was a financial crisis and a number of companies went bankrupt in the life insurance industry. Despite those circumstances, Taiyo Life and Daido Life were recognized for their exceptional financial soundness and unique business models. The Group started out based on the shared understanding of aiming for further growth by strengthening the business model of each company while ensuring the Group's soundness. T&D Financial Life, the former Tokyo Life Insurance Company, later joined the Group and we have since developed as a group with a solid foundation in the domestic market, centered on these three life insurance companies under the holding company.

The Group's corporate philosophy is "With our 'Try & Discover' motto for creating value, we aim to be a group that contributes to all people and societies." This was articulated as the purpose of the Group's existence in 2002. I would like to ensure that it is once again instilled throughout the Group. Since assuming the position of President in April, I have arranged to have opportunities to talk with many executives and employees about the Group's origin. By returning to our roots, I have asked why we established a holding company at the time, and why we were able to become a strategic group that was the first life insurance holding company listed on the stock exchange.

Era

Before this interview, I took a look at the Company's 10th anniversary commemorative booklet. It was a good reference to understand the Company since it describes the historical backdrop of the Company's founding and covers the development from the broad alliance between the two life insurance companies to the stock exchange listing as a life insurance holding company.

Uehara

Thank you very much. Nowadays, there are a lot of listed financial holding companies including banks and non-life insurance companies. But there were only a few at the time, and they were not widely recognized. In that context, we went through a process of trial and error to find the best way to manage the Group as a life insurance holding company.

Era

So that was in fact the first "Try & Discover."

Uehara

Exactly. Forming a life insurance holding company and listing on the stock exchange were indeed a "Try & Discover." How to create new value from that point on was the theme for the entire Group. Fortunately, Taiyo Life and Daido Life were insurers with extremely strong management platforms. Recognizing that as our greatest strength, we were determined to solidly establish the two entities. Therefore, in bringing together the three life insurance companies, including Taiyo Life and Daido Life, we were keenly aware of getting the most out of the uniqueness and expertise of each company in its respective market.

Medium-Term Management Plan and Aiming for Further Growth Going Forward

Era

The Group focuses on the domestic market. But the market is facing various issues such as the difficulty of achieving growth amid a declining birthrate and an aging population. Please tell us how you recognize these issues and how you will deal with them.

Uehara

A major theme of the current three-year Medium-Term Management Plan is a call for strengthening initiatives for the senior market. There is a view that the domestic market will shrink due to the declining birthrate, aging society and decreasing population. Even so, the senior demographic is expected to increase going forward. We believe the Group can further grow if each of its three life insurance companies provide products and services that meet the needs of seniors in their respective specialized markets.



I think there must be clashes between centripetal and centrifugal forces in the conduct of Group management. How do you strike a balance between them?

——— Mr. Era

For example, *Himawari Dementia Treatment Insurance* launched by Taiyo Life in 2016 has been very well received by customers. Society's interest in and understanding of dementia has increased in the last few years, and various measures are being taken to address the issue including preventive efforts. When launching this product, Taiyo Life built a system which made it capable of keeping in constant contact with customers, from the time of enrollment to when something happens. This enabled Taiyo Life to offer a service through which when an inquiry is received from a customer or a family member, a staff from one of its nationwide branches can directly visit the customer's home and handle insurance claims and so forth. In this way, by trying to differentiate ourselves from other companies through offering not only the products, but also high value-added services, which have high customer needs, and the products integrally, I believe this initiative is leading to our strong results.

Our mission is to solve social issues through the life insurance business. Being an enterprise that contributes to the development of society through its business, and being an enterprise that makes an appropriate profit through its business — in other words, I believe the Group as a whole can grow sustainably by sharing value with society. This approach is very close to the concept of CSV, or “Creating

Shared Value.” Solving issues related to people and society can lead to a major business opportunity for us in the life insurance industry.

Era

From what you've said, I get the impression that medium-term growth is possible in the domestic market, but I'm wondering whether you are considering overseas expansion in the future.

Uehara

The Group considers growth in Japan to be its top priority. This is the world's third-largest life insurance market, following the United States and China.* We believe there is further room for growth. I spoke earlier about strengthening our initiatives for the senior market, but approaches to the younger generation, who are said to be losing interest in insurance, have become a theme across the entire life insurance industry. At the Group, we have been discussing issues such as how to create points of contact with the millennial generation, who are thoroughly familiar with digital technology, and whether we should develop infrastructure to capture the younger demographic.

As for expanding overseas, I think it would be difficult to import our Japanese business model into overseas markets

By implementing ERM, while the Group is managed and operated in an integrated manner as if it were a single business entity, T&D Holdings regularly monitors the Group's operating companies.

——— President Uehara



without modifications. Both the growing Asian market and the maturing European and U.S. markets have different financial regulations and tax systems. But what differentiates them most from Japan is the climate and culture.

This does not mean we are dismissing the idea of overseas expansion. There are channels and business models being created overseas that do not exist in Japan and some of the businesses using IT will probably be applicable in Japan in the future. We are considering building a global network by sharing expertise through business alliances with companies that provide such technologies and services or investing in them.

* Source: Swiss Re, sigma No3/2018 WORLD INSURANCE IN 2017

Group Management Focused on ERM (Enterprise Risk Management)

Era

I want to ask how you conduct group management as a holding company. The Group's three life insurance companies are each highly specialized with completely different business models. As a result, I think there must be clashes between centripetal and centrifugal forces. How do you strike a balance between them?

Uehara

The Group's operating companies deploy their unique business models in their respective specialized markets. That is the source of the Group's growth. But unlike T&D Holdings, they rarely have the opportunity to meet directly with shareholders and investors and hear their opinions. When we speak with these people, we can clearly see how they evaluate the Group and its management. Our role at T&D Holdings, as a listed company, is to gather these opinions and ensure that they thoroughly penetrate the Group's operating companies and the Group as a whole as a market discipline. We will continue to actively perform that function.

One of the key points of our Group management is ERM. Previously, our discussion of risk focused primarily on its balance with profit. But with the introduction of ERM, which integrally manages profit, risk, and capital on an economic value basis, it has become possible to make management decisions regarding risk and return based on soundness and profitability including a capital efficiency perspective. While the Group is managed and operated in an integrated manner as if it were a single business entity, T&D Holdings regularly monitors the Group's operating companies.

Era

So ERM is the linchpin of Group management.

Uehara

That's right. I think our Group management works based on this common standard for quantitative evaluation. On the other hand, I would like to develop a deeper shared awareness across the entire Group of its corporate philosophy, which is a qualitative standard, as well as the significance of the holding company's listing and the purpose of its existence by returning to the roots of the Group's formation.

Era

Does each of the operating companies decide on their product and sales strategies? And how does the Company evaluate these firms?

Uehara

These strategies are formulated by each of the companies. Then the Company monitors the implementation status and results and other developments at each company through the PDCA cycle.

Quantitative evaluation of each operating company and its management is based on management indicators, which are set each fiscal year by each of the firms based on KPIs formulated in the Group's Medium-Term Management Plan. In addition, qualitative aspects are reflected in evaluations of each company's own targets related to product and sales strategies, whether efforts are being made to contribute to medium- and long-term growth, and so on.

Robust Governance System

Era

Let me ask you about the participation in management by outside officers, including the directors. What kind of steps do you take to help these executives understand the Company, given that the life insurance industry is said to be quite difficult for outsiders to understand?

Uehara

As you pointed out, the industry's terminology and indicators can be difficult to understand. We hold training for outside

officers when they assume their posts to help them gain a deeper understanding of the Group's business, finances, organization and so forth. Furthermore, executive training sessions are held regularly after the officers are appointed to allow them to continually expand their knowledge. We also arrange opportunities for officers to observe various worksites at the Group's life insurance companies, such as sales branches and payment assessment departments. This is to give them a better idea of the details of the business.

It is important for outside directors and outside audit & supervisory board members to better understand the Group's current business and finances. Still, what we are looking for is a judgment based on a broad viewpoint. Examples include determining whether there are any problems with the Group's current direction when considered from the perspective of three to five years from now, or whether our governance is appropriate. We are currently formulating our next medium-term management plan. Communication with outside officers is a vitally important part of this process.

Era

T&D Holdings has established a non-mandated Nomination and Compensation Committee. Who are the members of the Committee?

Uehara

The Nomination and Compensation Committee consists of the President and outside directors and one of these directors serves as the chair. After becoming President, I have reviewed the purpose of establishing this Committee. Appointments of directors and audit & supervisory board members, including the presidents of the Group's three life insurance companies, is subject to deliberation of the Nomination and Compensation Committee. As President of T&D Holdings, I must constantly think about the question of a successor. We must always be engaged in fostering people who can be entrusted with the Group's management from a Group perspective. One of the most important tasks I've been assigned is to decide what kind of person we should entrust achieving sustainable growth to for the Group.

Era

Do you mean it's necessary to consider the candidates for the Company's executive from early on?

Uehara

Indeed it is necessary. If we consider those who had the group conception, demutualized Taiyo Life and Daido Life, and created the insurance holding company, to be the first and second generations, I represent the generation after that. Potential executives need to have a group management perspective. They need to return to the roots of the Group's formation, as I mentioned at the beginning of our conversation, and ask themselves why we created an insurance holding company. I believe we need to once again ensure that the Group's corporate philosophy is shared and widely spread, and foster human resources who will succeed it.

Era

You earlier mentioned the need for market discipline. As an investor, I appreciate an approach that reflects market opinions. However, shareholder return is the central issue for the market, and the focus seems to be rather short-term considering the long-term nature of the life insurance business. I feel it would be better if investors also took a slightly longer-term viewpoint in their dialogue with companies.

Uehara

It is true that investors are strongly inclined toward enhancing shareholder return, if we are not making investments in new business such as M&A.

Market discipline means reflecting the market's evaluation of our management strategies in group management and not simply catering to the voice of the market. The Group formulates a three-year medium-term management plan and the new plan will start from the next fiscal year. While the life insurance business cycle itself is rather long term, within that long-term perspective, we must decide what should be done during the next three years and consider the role that society demands for the industry. I am committed to deepening our communication with investors while conveying to the market our strategies aimed at the Group's growth.

Era

Generally speaking, investors choose the companies in which they invest. Though the opposite seems very rare, I dare to say it may be good if companies have a perspective of "choosing their shareholders." Types of investors which

respond will change according to the messages sent out from a company. From that point of view, I hope T&D Holdings will continue to send a consistent message going forward.

Uehara

Thank you very much. We will continue to place great value on our business model, which is well regarded by investors. The domestic life insurance business is said to be maturing, but there are many social issues that the industry can contribute to. I am convinced that sustainable growth is possible going forward if the Group's companies, which have unique business strategies, identify these issues and steadily offer products and services that contribute to resolving them.



Business Overview



P. 32

Developing the top brand in the senior market by delivering the “best products and services” to households

Taiyo Life’s in-house sales representatives make individual home visits, listen to customers’ needs and provide the necessary coverage.

The company promote triune sales combining “strengthening of face-to-face services through visits,” “product development which preempts the changes of the times,” and “further enhancement of the in-house sales representative channel.”

Market	Households
Sales channel	In-house sales representatives
Products	Comprehensive coverage including death benefit and medical/nursing care products



P. 36

Bringing the greatest peace of mind and utmost satisfaction to small and medium enterprise (SME) customers

Daido Life provides rational coverage responding to the various risks and necessary funding preparations of each enterprise in order to protect enterprises from a range of risks and contribute to the stability and development of their business.

The company are building a solid sales structure through business tie-ups with SME-related organizations and CPTA organizations, etc.

Market	Small and medium enterprises (SMEs)
Sales channel	In-house sales representatives, Agents (tax accountants, etc.)
Products	Term life insurance (death benefit), disability benefit, etc.



T&D FINANCIAL LIFE P. 40

Offering distinctive products and services which meet the wide-ranging needs of customers

T&D Financial Life provides single-premium wealth-accumulation products differentiated by types of benefit and level-premium protection-type products with competitive pricing through independent insurance agents, such as financial institutions and insurance shops, which handle products from a number of insurers.

Market	Independent insurance agent market
Sales channel	Independent insurance agents (financial institutions and insurance shops)
Products	Single-premium wealth-accumulation products (foreign currency-reference type, etc.) Level-premium protection-type products (income protection insurance, etc.)



T&D Asset Management P. 44

Aiming to stay one step ahead on all fronts as an asset management company, and to create further value from that point

T&D Asset Management conducts investment trust business by offering investment trusts through financial institutions, and investment advisory business by managing the funds of pension funds and institutional investors.

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



Pet & Family P. 45

Aiming to serve the needs of all pet owners regarding veterinary care expenses

The Pet & Family Small-amount Short-term Insurance Company provides pet insurance to cover veterinary care expenses mainly through pet shops, where many prospective pet owners meet their pets for the first time.

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



Taiyo Life Insurance Company

As a life insurance company that delivers to households the best products and services which preempt the changes of the times, Taiyo Life is building the leading brand in the senior market.

Katsuhide Tanaka
Representative Director and President



Outlook for Sales Performance Indicators

Fiscal 2018

Protection-type Annualized Premiums of New Policies*

¥17.0 billion

Protection-type Annualized Premiums of Total Policies*

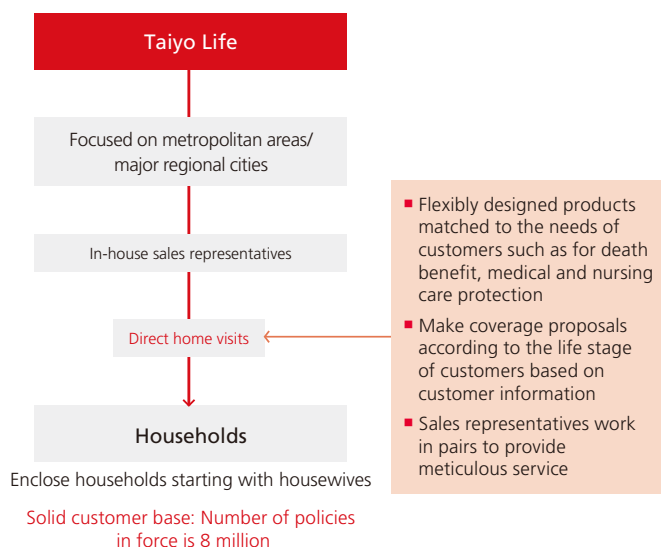
¥156.0 billion

*A performance indicator of Taiyo Life which is the sum of protection portion of the annualized premiums of new policies mainly excluding savings-type products.

Business Model

Taiyo Life's core business is sales of life insurance in the household market. In-house sales representatives visit homes directly and propose the appropriate coverage for each household. The mainstay product, *Hoken Kumikyoku Best*, was launched in October 2008 ahead of its competitors and allows customers to freely combine the coverage they need. This enables Taiyo Life to propose coverage which meets the needs of each household.

Taiyo Life has thus established a business model of offering comprehensive coverage to households by taking advantage of its strengths in the household market.



Strengths of Taiyo Life

Taiyo Life's strength is the capability of its sales representatives to sell protection-type products. It has continued to grow through "Combination Activity" where sales representatives form pairs on visit to individual households and developing new customers.

Taiyo Life leverages its strong ties to households to propose protection-type products amid the recently growing demand for coverage for medical care, nursing care, pensions, disabilities, and other areas in response to such trends as a rapidly aging population and a spread of nuclear families.

Taiyo Life also sells products that preempt the changes of the times, such as *Himawari Dementia Treatment Insurance*, maintaining its pre-eminence in the market by offering packages combining services with coverage that meets our customers' needs.

Strengths

- Solid foundation in the household market built by the continual development of new customers through "Combination Activity" where sales representatives form pairs on visit to individual households
- Offering products that preempt the changes of the times and meet customers' needs
- Senior-friendly customer service

Opportunities

- Growth of senior population
- Growing needs to make self-provision for pension, medical care, and nursing care
- Extension of health span and growing awareness of health promotion among seniors

Overview of the Medium-Term Management Plan

Marketing Strategy

The strategic policy of the current Medium-Term Management Plan is to build the top brand in the senior market and expand business results through a three-pronged strategy consisting of “improving services,” “enhancing products,” and “strengthening sales capabilities.” The strategy is based on a vision of “aiming to be a life insurance company that offers households the best products and services that preempt the changes of the times.”

Strengthening face-to-face services through visits

Taiyo Life initiated its *Best Senior Service* program with the aim of becoming the most considerate life insurance company to its senior customers. Initiatives include *Kaketsuke-Tai Service*, where office workers with specialized knowledge personally visit customers’ homes and provide customized support to ensure that benefits are paid swiftly and smoothly. With the *Senior Visit Service*, sales representatives visit senior customers at least once a year to check whether any claims need to be filed and to verify their policies. *Kaketsuke-Tai Service* has become very popular since

its launch in April 2016 and had been used at least 50,000 times (as of the end of May 2018).

Product development which preempts the changes of the times

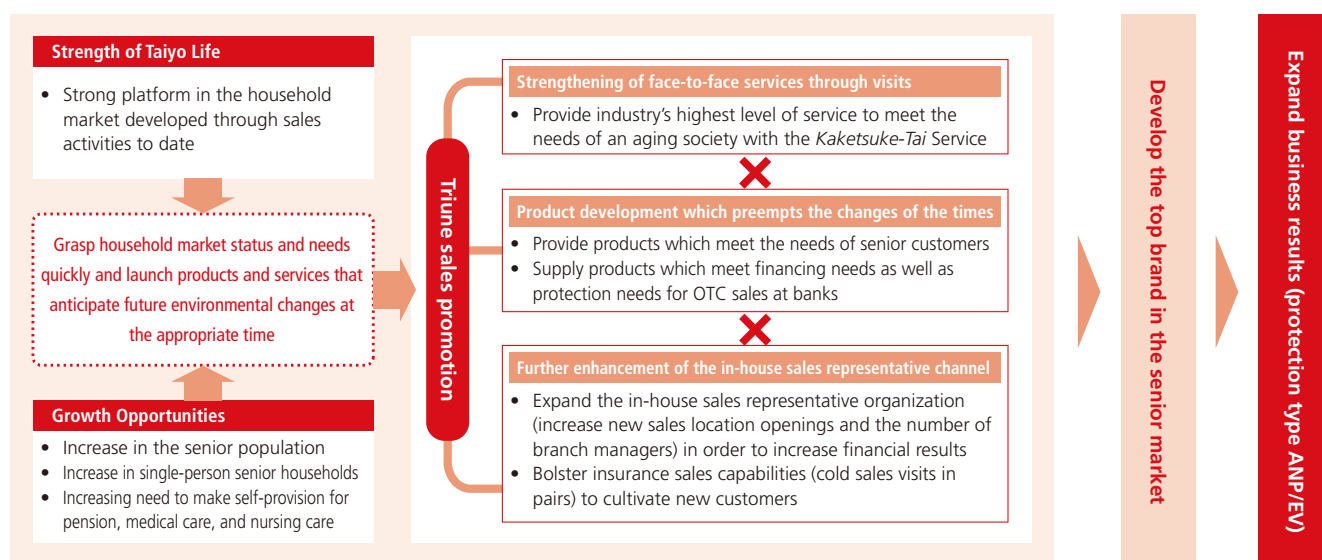
Taiyo Life launched *Himawari Dementia Treatment Insurance* in March 2016 and *Centenarian Age Annuity* in October 2017 in preparation for the coming of the full-blown super-aged society. In addition, it has been enhancing the coverage of its mainstay product *Hoken Kumikyoku Best* to provide peace of mind throughout the lives of its customers, and expanded the scope of application of its disability insurance in April 2018.

Strengthening sales capabilities

Taiyo Life has worked on hiring and developing sales representatives so that it can offer its products and services to more customers. As a result of these efforts, the number of its sales representatives increased by 40 people to 8,942 from the previous fiscal year-end.

Marketing Strategy

Build the top brand in the senior market and expand business results by promoting sales where “strengthening of face-to-face services through visits,” “product development which preempts the changes of the times,” and “further enhancement of the in-house sales representative channel” are triune.

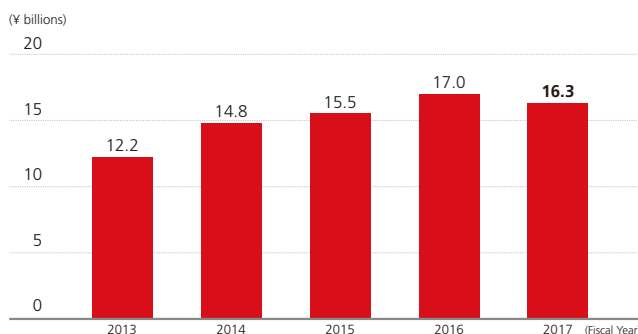


Overview of the Medium-Term Management Plan

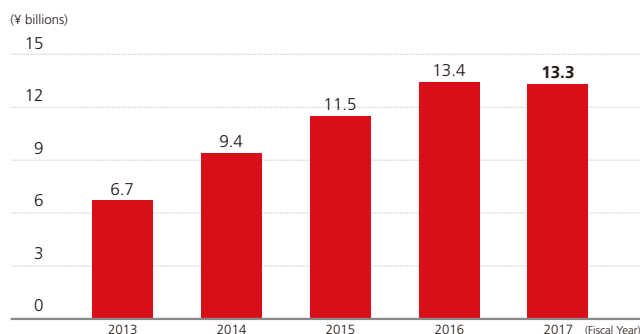
In fiscal 2017, the second year of the Medium-Term Management Plan, protection-type annualized premiums of new policies declined by 4.1% year on year to ¥16.3 billion due to lower OTC sales at banks. The decrease was despite continued strong sales of *Himawari Dementia Treatment Insurance*.

Additionally, MCEV increased by ¥47.4 billion from the previous fiscal year-end to ¥825.0 billion, mainly due to the accumulation of value of new business and the rise in domestic stock. Value of new business was ¥40.9 billion, mainly due to the decrease in sales in the OTC sales channel at banks.

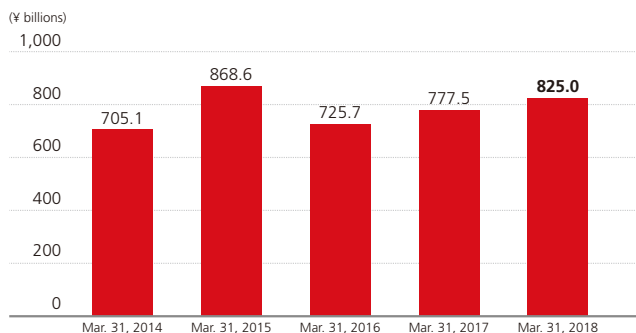
Protection-type Annualized Premiums of New Policies



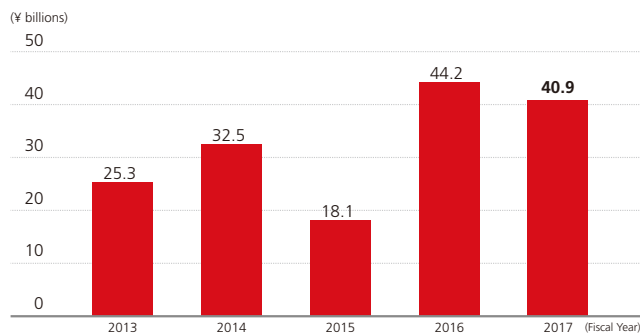
Third Sector Annualized Premiums of New Policies



MCEV



Value of New Business

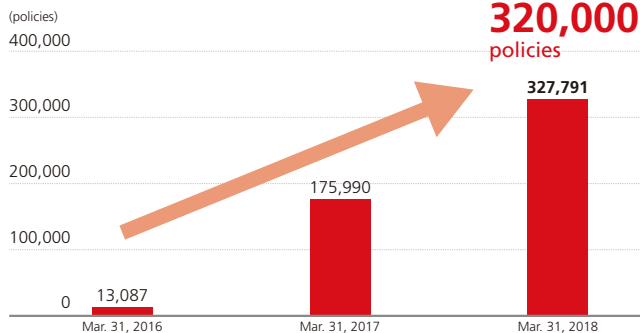


Strengthening Initiatives for the Senior Market

Taiyo Life launched *Himawari Dementia Treatment Insurance* in March 2016 as a product enabling customers to live their senior years with peace of mind. Since its launch, a cumulative total* of more than 320,000 policies had been sold (as of March 31, 2018). Offering products and services as a unified package via *Himawari Dementia Treatment Insurance* and the *Kaketsuke-Tai Service* has been highly acclaimed. The product won the “Incentive Award” at the 9th Japan Marketing Awards, hosted by the Japan Marketing Association, in 2017.

*The sum of *Himawari Dementia Treatment Insurance* and *Dementia Treatment Insurance*.

Cumulative Number of Dementia Treatment Insurance Policies Sold



Taiyo Life's ESG Initiatives

Initiatives to Support Health Promotion

Taiyo Life launched *Taiyo's GENKI Project* in June 2016 in response to the social challenge of extending health spans. This project is an initiative to energize and promote the health of employees, customers, and society. It includes efforts from many perspectives, including offering the *Dementia Prevention APP* and popularizing Kurort Health Walking. *Taiyo's GENKI Project* won the "Director-General of Health Service Bureau Excellence Award (Corporate Division) in the 6th Smart Life Project Award" ("Let's extend healthy life expectancy!") held by the Ministry of Health, Labour and Welfare.

Specific Initiatives by Taiyo's GENKI Project

Energizing Employees

- **Introducing an Employment System That Allows Employees to Work Until Age 70**

It is essential to build a working environment where employees can have long careers and stay motivated to energize and promote the health of our customers and society. The company was an industry pioneer in April 2017 when it instituted an age-65 retirement program, and a continuous employment program enabling employees to continue working until the age of 70.

- **Building Employee Health Using Kurort Health Walking**

Taiyo Life promotes employee health using Kurort Health Walking, which is effective for preventing illness and promoting health. The company creates opportunities to raise health awareness, such as periodically holding the Smart Life Stay (health guidance retreat) program.



▲Use of Kurort by employees

Energizing Customers

- **Offering Dementia Prevention APP**

Dementia Prevention APP is a smartphone app that continuously measures walking speed. If it detects a risk of future dementia or MCI, it notifies the user and designated family members. The app has been available to customers since October 2016.

- **Improving Customer Support Capabilities**

In fiscal 2016, Taiyo Life launched a Dementia Supporter training course and Universal Manners Test at its headquarters and branches nationwide. These activities are aimed at enhancing its support capabilities for senior customers and customers with disabilities. It is currently introducing them throughout the company.



▲Home

▲Brain Training

Energizing Society

- **Sponsoring Dementia Seminars Nationwide**

In fiscal 2017, Taiyo Life sponsored dementia seminars held in four cities nationwide. The seminar provided information relating to the condition. A physician specializing in dementia gave a lecture on the current state of condition, prevention, and treatment. There was also a panel discussion attended by a wide range of people involved with dementia.

- **Sponsoring Japan Medical Association Akahige Grand Prize**

Taiyo Life has been a special sponsor of the "Japan Medical Association Akahige Grand Prize" since fiscal 2017. This prize is awarded to physicians who support the health of local residents and physicians who contribute to front-line medical care on remote islands and in isolated regions. The candidates are nominated by prefectural medical associations nationwide.

- **Taiyo Life Kurort Health Walking Awards**

Taiyo Life began the "Taiyo Life Kurort Health Walking Awards" in fiscal 2016, with the goal of popularizing Kurort Health Walking nationally. The activity is effective at preventing illness and promoting health. The award recruits local governments aiming to introduce Kurort Health Walking in order to extend the health spans of local residents, and supports the construction of walking courses and the training of expert guides in the awarded governments.



▲Dementia Seminar

Contributing to Society Through Asset Management

Taiyo Life believes that in order to better fulfill its social responsibility as an institutional investor, it is vital to contribute to the realization of a sustainable society by making a positive impact on society and the environment through its investment and lending activities. For this reason, it promotes investment and lending with consideration for ESG issues (ESG investment), and its investments include Green Bonds, renewable energy projects, and social bonds.

DAIDO Daido Life Insurance Company

Outlook for Sales Performance Indicators
Fiscal 2018

Policy amount in force*

¥45,200 billion

New policy amount*

¥6,120 billion

*The sum of the death benefit amount of individual insurance and individual annuities, together with the insured amount for critical illnesses for the *J-type product* (non-participating critical illness insurance), disability protection for the *T-type product* (non-participating disability protection insurance), and nursing care for *Kaigo Relief* (non-participating whole life nursing care insurance) and *Kaigo Teiki Hoken* (non-participating nursing care term insurance).

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

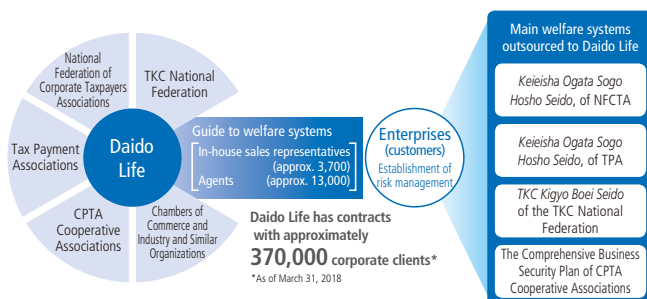


Minoru Kudo
Representative Director and President

Business Model

Daido Life is a life insurance company that specializes in the SME market, with contracts with some 370,000 corporate clients. The company has focused on developing and selling term insurance since the 1970s, considering it to be the optimal product for companies as it secures greater coverage at a lower premium.

Specifically, the company, which ties up with SME-related organizations and CPTA (Certified Public Tax Accountant) organizations, positions the offering of its products and services designed according to the organization's characteristics (partner-specific products) as its core business. The company has established a unique business model of offering these products and services as a benefit and welfare system for the SMEs, through two channels of in-house sales representatives and agents.



*Standard coverage
If an SME owner or officer becomes unable to work due to death or critical illness, some amount of money is expected to be required by the enterprise and family. Daido Life calls such amount "standard coverage" and calculates it in terms of both the amount needed to protect the enterprise (business defense reserve) and the amount needed to protect the family (corporate officer retirement benefit reserve).

Strengths of Daido Life

Daido Life's strengths are the superiority of its business model, which has numerous points of contact with SMEs and their owners, as well as its full lineup of corporate products, and its management resources suited to market development, including the know-how to promote protection-type products based on the standard coverage* accumulated over many years.

Additionally, the insurance needs not only of corporations but their owners as individuals are growing and becoming more diverse due to such factors as aging population, and the company will solidify its position as a leading company for the life insurance business targeting the SME market by steadily offering a "proposal of total protection integrating both corporations and individuals."

Strengths

- Superiority of business model
- Accumulation of management resources suited to developing the corporate market
- High-quality customer-support framework
- Comparatively sound finances

Opportunities

- Growing and increasingly diverse customer needs
 - Growing need for disability benefit due to aging population and other factors
 - Growing need for business succession and inheritance measures due to tax reforms and other factors
- Increasing awareness of health promotion
- Progress in digital technologies enabling new operational innovations

Overview of the Medium-Term Management Plan

Marketing Strategy

Under the current medium-term management plan, Daido Life aims to steadily and sustainably increase corporate value. To this end, it is evolving its core business through enhancing its disability benefit field in the corporate market (“further penetrating core markets”), and developing the SME owner and individual business owner market (“creating and expanding new markets”). It is also improving customer services, productivity, and efficiency through operational innovations in its sales activities and administration.

Further penetrating core markets

In recent years, aging of business owners and their prolonged tenure are becoming prominent among SMEs due to Japan’s declining birthrate and aging population, and progress in medical technology. Amid these changes in the market environment, the company is working to “further

penetrate core markets” by promoting a proposal of a full range of protection with enhanced disability benefit, in addition to its mainstay term insurance. As part of this effort, in October 2017 the company launched *Kaigo Teiki Hoken*, which provides for the nursing care risk of owners while meeting the business-capital needs of the corporations, and this product has been a hit.

Creating and expanding new markets

As the population shrinks, the senior market is expected to continue to grow. The company is working to “create and expand new markets” by offering products and services that meet the needs of SME owners and individual business owners, such as nursing care and inheritance/business succession.

Please see “Strengthening Initiatives for the Senior Market” on the next page for more details.

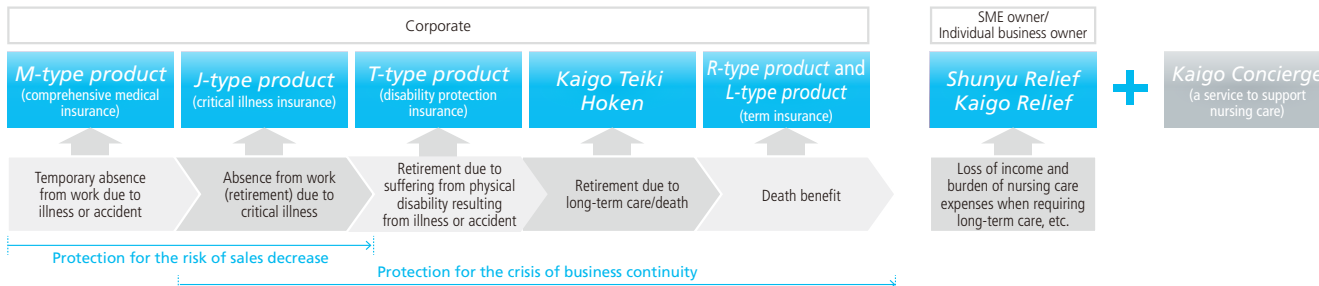
To consolidate its position as the “leading company” in the SME market for life insurance business, Daido Life will further evolve its core business and develop the growth area of both the corporate and individual fields together, in order to expand business results.

Market	Corporate policy		Individual business owner	Individual policy	
	SME owner/executive (plus SME owner’s family)	Employee		SME owner (plus SME owner’s family)	Executive/employee
Death benefit	Traditional core business		Aim to develop as a core business in the medium-term management plan		
Disability benefit	Developed as core business in previous medium-term management plan				
Medical benefit					
Nursing care benefit		New product launch in Oct. 2017		Focus on strengthening promotion efforts as a growth area (Strengthen response to senior segment needs)	
Inheritance and business (asset) succession					

Further increase presence in the SME market

Expand business results (policy amount in force/EV)

Proposing full-range of protection (proposing Daido Life’s unique values)

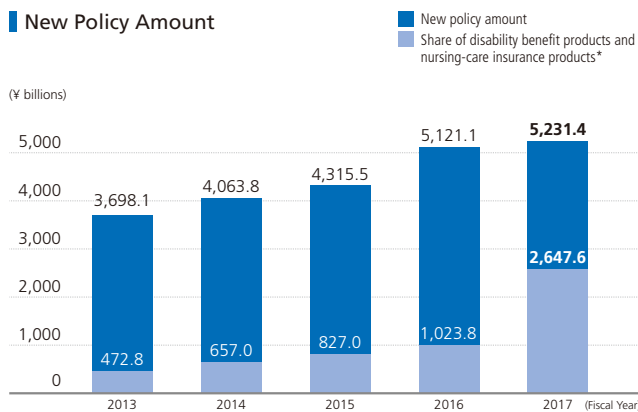


Progress of the Medium-Term Management Plan

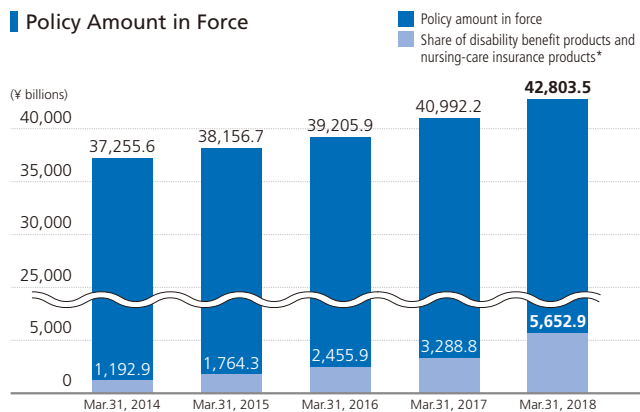
In fiscal 2017, the second year of the medium-term management plan, Daido Life's new policy amount* increased 2.2% year on year to ¥5,231.4 billion, and the policy amount in force* increased 4.4% year on year to a record high of ¥42,803.5 billion. This was due to solid sales of products corresponding to risks of occupational disabilities, such as *Kaigo Teiki Hoken*.

Additionally, MCEV increased by ¥55.7 billion from the previous fiscal year-end to ¥1,473.2 billion, mainly due to the accumulation of the value of new business and an increase in unrealized gains on securities. The value of new business also increased by ¥9.9 billion year on year to ¥84.2 billion.

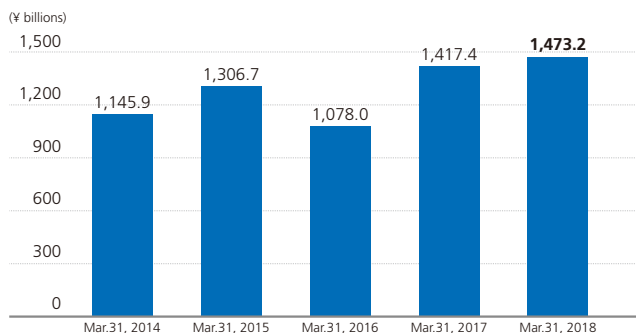
*New policy amount/policy amount in force
The sum of the death benefit amount of individual insurance and individual annuities, together with the insured amount for critical illnesses for the *J-type product*, disability income protection for the *T-type product*, and nursing care for *Kaigo Relief* and *Kaigo Teiki Hoken*.



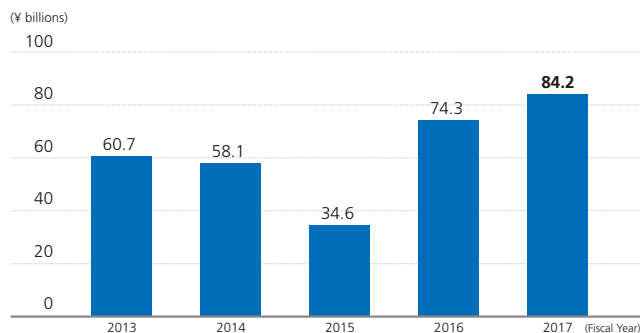
*Disability benefit products are the sum of *J-type product* and *T-type product*; nursing-care insurance products are the sum of *Shunyu Relief*, *Kaigo Relief*, and *Kaigo Teiki Hoken*.



MCEV



Value of New Business



Strengthening Initiatives for the Senior Market

Total support through nursing care and services

In October 2015, Daido Life launched *Shunyu Relief*, an insurance policy to protect against loss of income when long-term care is required by SME owners, individual business owners, and so forth, and *Kaigo Relief*, an insurance policy to cover nursing care costs if they are admitted to a nursing facility. The company is also strengthening its initiatives in the nursing care insurance field in terms of both products and services, offering *Kaigo Concierge*, a comprehensive support for nursing care, including offering consultation regarding nursing care issues, referrals to nursing care facilities, and so forth.

Support for inheritance and business succession

Daido Life offers *M&A Support Service*, which provides expert support for such cases as a company sale for business succession and a company acquisition for business expansion. The company is also developing and bolstering specialist personnel who can provide support for inheritance and business succession due to the aging of business owners.

Daido Life's ESG Initiatives

Toward Extending Healthy Life Expectancy

Initiatives to disseminate Health and Productivity Management — DAIDO KENCO ACTION

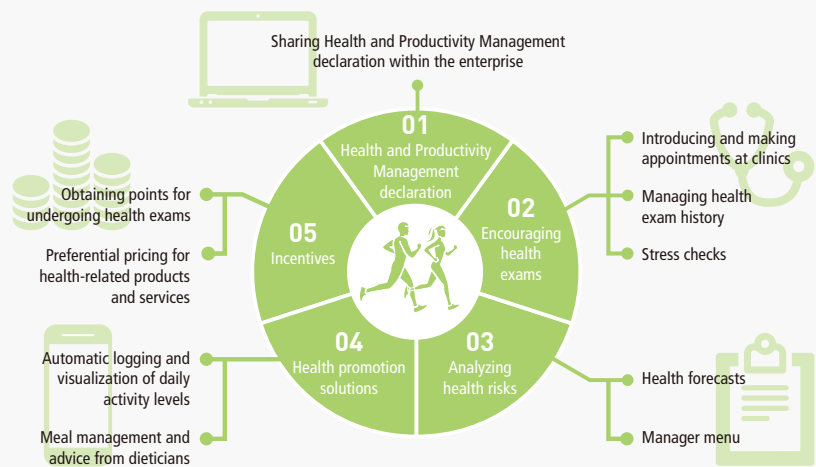
Daido Life aims to contribute to creating a society where SMEs and the people who work there can be enthusiastic and active participants, and to solving the issues in Japan's aging society, by supporting Health and Productivity Management* by SMEs. In addition to building a framework for the dissemination and penetration of Health and Productivity Management through increased collaboration with companies and organizations that support it, the company also offers the Daido Life *KENCO SUPPORT PROGRAM*, a proprietary tool for implementing health and productivity management.

*The Japanese term for "Health and Productivity Management" refers to a corporate management style of paying additional attention to employees' health and strategically implementing policies aimed at employees' health management and maintenance, and is a registered trademark of the Workshop for the Management of Health on Company and Employee, a non-profit organization.

Daido Life KENCO SUPPORT PROGRAM

The Daido Life *KENCO SUPPORT PROGRAM* was developed in collaboration with a large number of companies with specialized technologies and expertise, chief among them Value HR Co., Ltd.

It is a comprehensive program for SMEs that provides end-to-end support for the Health and Productivity Management PDCA through a full range of functions needed by owners and employees, including sharing the owner's Health and Productivity Management declaration within the enterprise, encouraging health exams, analyzing health risks, offering health-promotion solutions, and offering incentives.



Launch of HAL Plus Rider

In July 2017, Daido Life launched the new product *HAL Plus Rider* for covering treatment of certain intractable diseases with the robot suit HAL for Medical Use (Lower Limb Type) developed and supplied by CYBERDYNE, INC., with which the company has a business alliance. The HAL plus rider is added to Daido Life's *M-type product* (comprehensive

medical insurance). This industry's first* advanced coverage is popular with many customers, and has been added to more than 260,000 policies. (As of March 31, 2018)

*According to study by Daido Life



HAL for Medical Use (Lower Limb Type)

ESG Investment

As an institutional investor managing life insurance funds which is highly social and public in nature, Daido Life believes it is one of its most fundamental obligations to contribute to the realization of a sustainable society through its investment and lending activities. The company is promoting ESG investments on the basis of the United Nations'

Principles for Responsible Investment which it signed in November 2016. Main investment results in the fiscal year 2017 include "Green Bonds," which are issued for supporting activities aimed at solving environmental problems, the "Fund for Solar Energy Businesses" and the "Fund for Supporting the Management of SMEs."

T&D Financial Life Insurance Company

Outlook for Sales Performance Indicators
Fiscal 2018

Policy amount in force

¥2,420 billion

New policy amount

¥510 billion

Aim for continuous growth by offering distinctive products and services highly appreciated by customers, through the expanding independent insurance agent market.

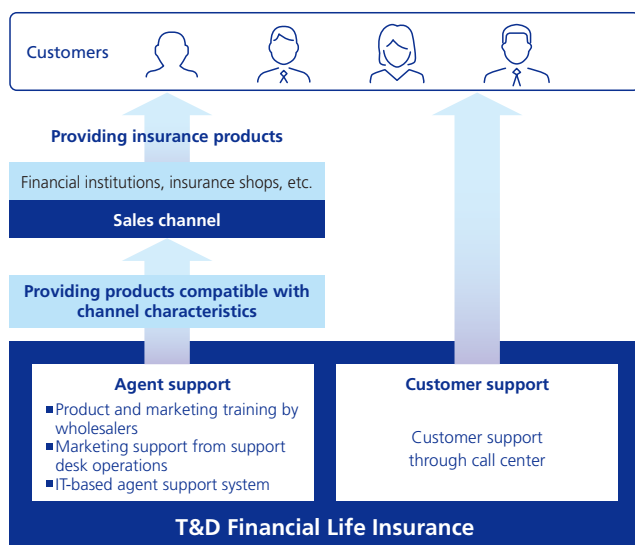


Masafumi Itasaka
Representative Director and President

Business Model

T&D Financial Life specializes in providing insurance products through independent insurance agents including financial institutions and insurance shops, which handle products from multiple insurers.

Aiming to establish a strong brand in life insurance sales through the independent insurance agent channel, the company is promoting the “diversification of product line-up,” “expansion of sales network of insurance agents,” and “improvement of customer service.”



Strengths of T&D Financial Life

The domestic life insurance market is facing growing needs for post-retirement asset formation and medical benefits by senior customers, and for death benefits and disability benefits by customers who are working and/or raising children, against a backdrop of decreasing child-birth rates, an aging population, and an increase in the number of single households.

The independent insurance agent channel which T&D Financial Life focuses on, is expected to continue to experience significant growth. The company aims for sustainable growth despite a difficult financial environment with continued low interest rates, by expanding its sales network in this channel, and offering customers competitive products which takes advantage of its strength in product development.

Strengths

- Concentrates management resources on the independent insurance agent channel, owns predominant agent channels of financial institutions, etc.
- Strength in product development differentiating the type of benefits
- Streamlined system

Opportunities

- Increasing needs for asset formation and medical benefits due to an aging population
- Changes in the market, such as emerging new sales channels (e.g., OTC sales at banks, internet, and insurance shops), and entry of new players from different industries into the insurance shop field

Overview of the Medium-Term Management Plan

Marketing Strategy

T&D Financial Life is aiming to achieve further growth of its corporate value (EV) by setting “increasing the sales of single-premium wealth accumulation products and level premium protection-type products through diversification of its product lineup,” “expanding the sales networks of bank agents and insurance shop agents,” and “enhancing its product development, systems, sales, and administrative systems through the investment of management resources into required fields” as its marketing strategy in the medium-term management plan.

Specifically, the company will leverage its strength in product development to introduce “single-premium wealth accumulation products differentiated by the type of benefit” and “cost-competitive level premium protection-type products” to the market in a timely manner. In terms of sales strategy, the company will work to cultivate channels by developing and expanding sales channels, expanding the system for agent support staff and staff responsible for the agent headquarters, and creating a team dedicated to insurance shop agents.

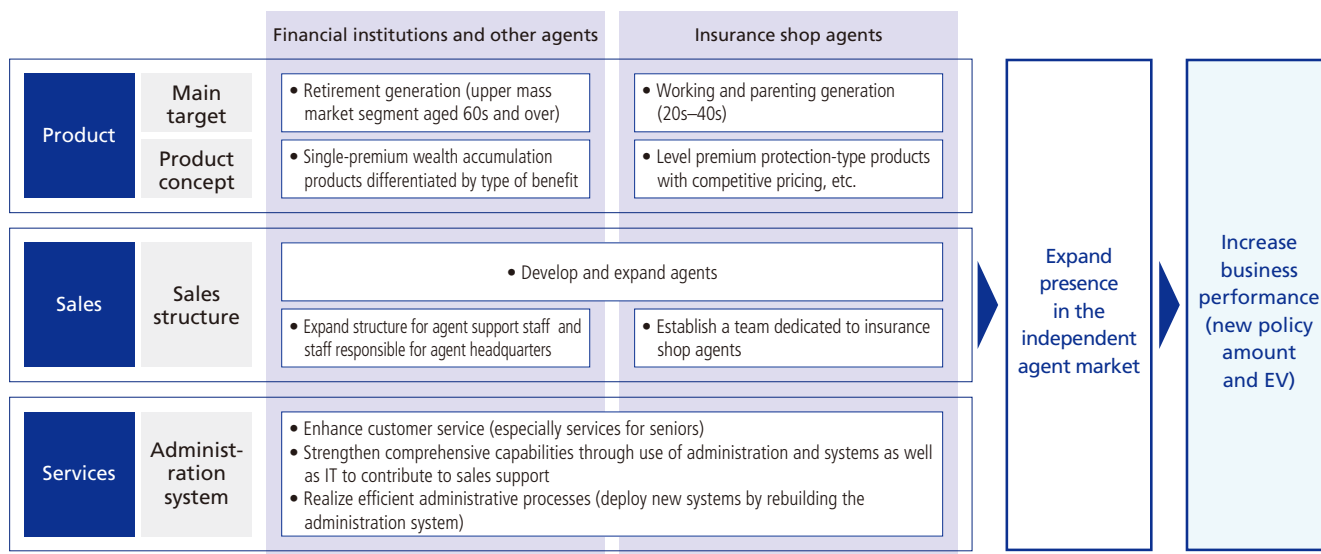
The company will also improve its customer service through swift and accurate responses from the customer’s

perspective, including improvements in operations and service with consideration for seniors and others, making appropriate insurance and other payments, and working to improve its call center’s support capabilities.

In fiscal 2017, the company launched *Shogai Premium Japan 4*, a single-premium whole life insurance utilizing yen interest rates, and *Shogai Premium World 4*, a foreign currency-linked single-premium whole life insurance utilizing foreign interest rates and exchange rates in May, as products responding to our customers’ asset formation needs. In addition, it launched *Fivetenworld*, a foreign currency-linked single-premium individual annuity utilizing foreign interest rates and exchange rates in December.

In terms of service, the company began offering paperless new policy applications at some agents from the standpoint of improving customer convenience, and worked to enhance its insurance payment assessment system in order to make insurance and other payments swiftly and accurately. It also created a Working Group for Improving Services for Seniors and Persons with Disabilities, and studied and promoted a number of initiatives to further improve services for senior customers and customers with disabilities.

Marketing Strategy



Progress on the Medium-Term Management Plan

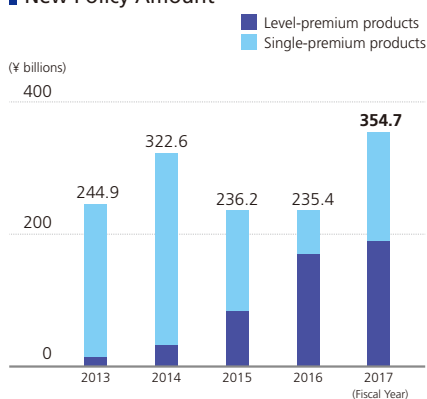
Trend in Sales Performance Indicators

In fiscal 2017, the second year of the medium-term management plan, T&D Financial Life increased its new policy amount by a massive ¥119.2 billion year-on-year to ¥354.7 billion. This was due to factors such as the effect of introducing new single-premium wealth accumulation products and penetration of income protection insurance (level premium protection-type products), as well as efforts

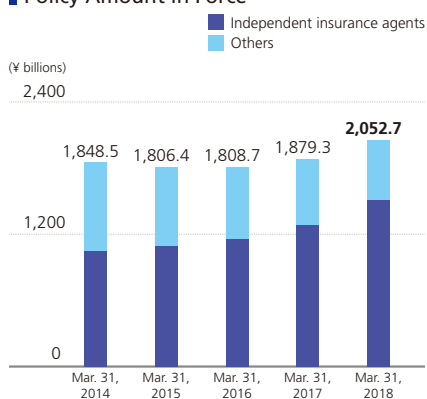
to develop financial institutions and insurance shops by offering these products. The policy amount in force also increased ¥173.3 billion year-on-year to ¥2,052.7 billion, due to factors such as the increase in the new policy amount.

As of the end of fiscal 2017, the number of sales agents of both financial institution and insurance shop agents was 142.

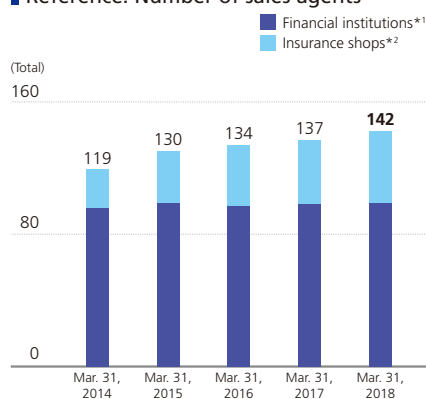
New Policy Amount



Policy Amount in Force



Reference: Number of sales agents

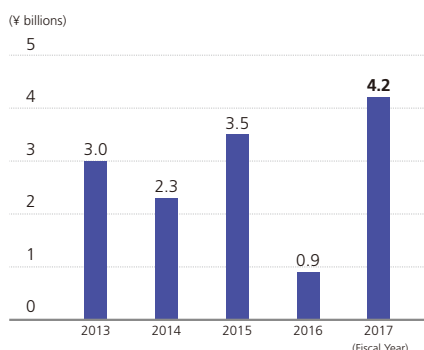


*1 Financial institutions include banks, securities firms, and credit associations.
*2 Including franchises.

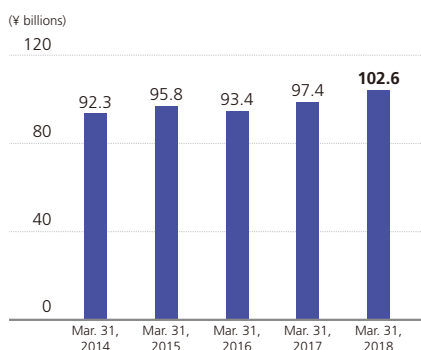
Trend in Value of New Business and MCEV

In fiscal 2017, value of new business recovered significantly, increasing ¥3.3 billion year-on-year to ¥4.2 billion. This was due to factors such as the increase in the new policy amount and flexible product revision utilizing ERM, despite the continued domestic low-interest environment. MCEV increased ¥5.1 billion from the previous fiscal year-end to ¥102.6 billion.

Value of New Business



MCEV



T&D Financial Life's ESG Activities

Offering Products and Services which Meet the Needs of Society

Products which meet increasingly diverse customer needs

- *Shogai Premium Japan 4* (non-participating whole life insurance) and *Shogai Premium World 4* (non-participating foreign exchange rate-linked whole life insurance)

Both products share the features of “increase,” “use,” and “bequeath.” In addition to prepare for the money that customers can “use” for themselves and money to “bequeath” to their families, by adding a Long-term Care Pension Payment Transfer Rider, they are able to receive a nursing care annuity for life.
- *Fivetenworld* (non-participating foreign exchange rate-linked individual annuities)

This product has the features of “increase,” “transfer/receive,” and “bequeath/set aside.”

 - Adding the Survivor Benefit Payment Transfer Rider makes it possible to “transfer” the investment results to a survivor benefit beneficiary as a lifetime gift.
 - Adding the Guaranteed Minimum Benefit Rider makes it possible to “bequeath” a minimum yen-denominated death benefit during the grace period.
 - Adding the Annuity Nursing Care Benefit Rider makes it possible to “set aside” a minimum yen-denominated nursing care benefit.

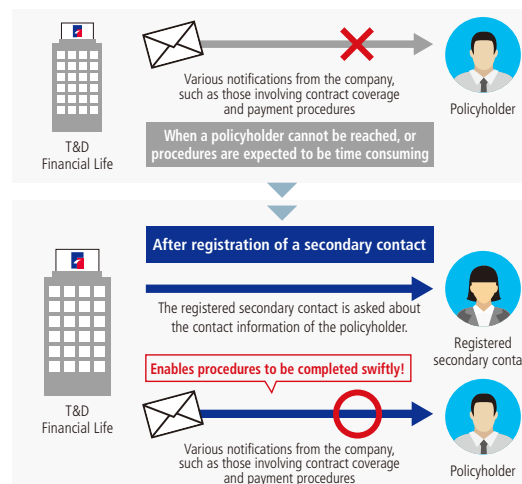


Offering operations and services considering senior customers and customers with disabilities

- The main activities of the Working Group for Improving Services for Seniors and Persons with Disabilities in fiscal 2017 were as follows:
 - Provided an easy-to-understand explanation of the “secondary contact registration system” in the guidebook distributed to all customers, in order to encourage customers to register secondary contacts.
 - Put procedures in place to enable non-family members* to sign (fill out) documents in place of a policyholder, and enabled company employees to fill this role, in cases where a policyholder does not have family members who can sign (fill out) such documents on his or her behalf.

* Persons such as home helpers, facility employees, or welfare officers who are not blood relatives.
 - As a support for people with hearing disabilities, added a dedicated “call button for customers with hearing disabilities” at the general reception area of the headquarters building, and added an “ear mark” to indicate that the company is able to communicate face-to-face in writing.

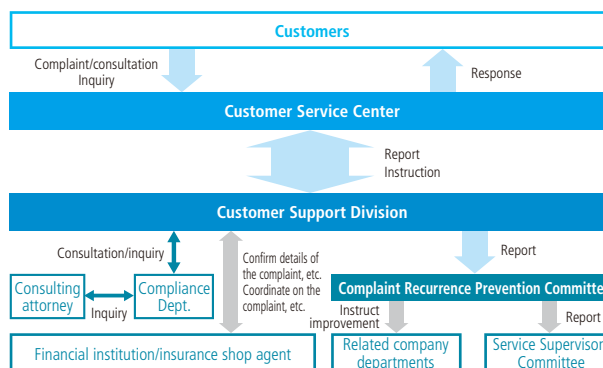
Overview of the Secondary Contact Registration System



Reference: Initiative to utilize customer feedback in management

- By sincerely accepting the customer feedback (complaints, opinions, and requests) through our Customer Service Center one by one and tackle for improvement, the company strives to advance customer service and the quality of its operations.
- The company holds “Complaint Recurrence Prevention Committee” every month. The Committee streamlines an appropriate administrative and operational framework to ensure customer protection by analyzing the content and the root cause of consultations and complaints received from customers, by preventing complaints and the recurrence of the complaints based on the result of the analysis, and by promoting operational process reforms to improve customer service.

Initiatives to Respond to Customer Feedback



T&D Asset Management Co., Ltd.

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 customers.

Hiroshi Fujise
Representative Director and President



Outlook for Full-Year
Key Performance Indicator
Fiscal 2018

Adjusted operating income
¥3.35 billion

Business Model and the Progress on the Medium-Term Management Plan

T&D Asset Management conducts investment trust business by offering investment trusts to investors through banks and securities companies, and investment advisory business by managing investment advisory agreements, and manages the funds of pension funds and institutional investors.

Under the current medium-term management plan, the company is working to further strengthen its competitiveness by differentiating its asset management and product development capabilities in accordance with the strategic policy of "Make a Difference."

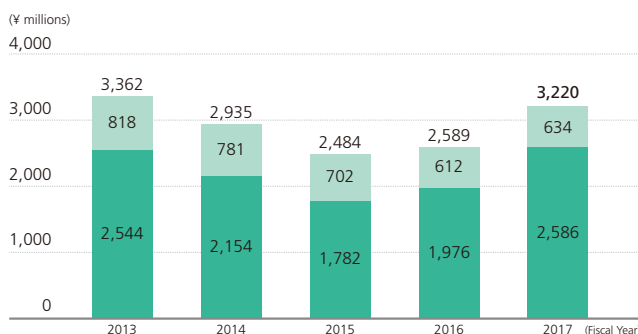
In fiscal 2017, investment trust assets under management stood at ¥1,182.9 billion, an increase of ¥118.9 billion from the previous fiscal year-end. This increase mainly reflected

solid growth in the balance of assets under management centered on privately placed investment trusts, as with the previous fiscal year.

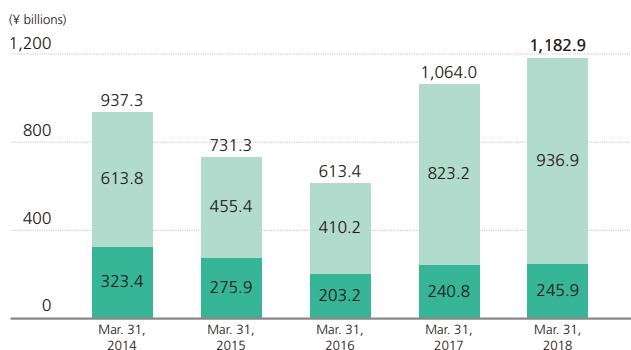
On the earnings front, adjusted operating income rose 24.4% year on year to ¥3.2 billion, due to the increase in the balance of assets under management.

Looking ahead, as the asset management firm of the T&D Life Group, the company will continue to provide asset management services for the Group's life insurance companies and for external customers as the two main pillars of the company's business.

Adjusted Operating Income (by Business) Investment advisory business Investment trust business



Investment Trust AUM Privately placed investment trusts Public investment trusts



ESG Initiatives by T&D Asset Management

T&D Asset Management has established and manages the *Japanese Equity ESG Research Fund*. The fund selectively invests in companies with an outstanding ESG (environmental, social, and governance) performance based on ESG research, which seeks to generate investment returns

that outperform the medium- to long-term market average while contributing to the formation of a sustainable society by investing in companies that contribute to the reduction of environmental impact and the achievement of a sound society.

Pet & Family Small-amount Short-term Insurance Company

Outlook for Full-Year
Key Performance Indicator
Fiscal 2018

Number of policies in force

145,000

Number of new policies

32,000

Pet & Family Small-amount Short-term Insurance aims to serve the needs of pet owners regarding veterinary care 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.



Masanori Nishida
Representative Director and President

Business Model and the Progress on the Medium-Term Management Plan

Pet & Family Small-amount Short-term Insurance Company provides pet insurance to cover veterinary care expenses mainly through pet shops, where many prospective pet owners meet their pets for the first time.

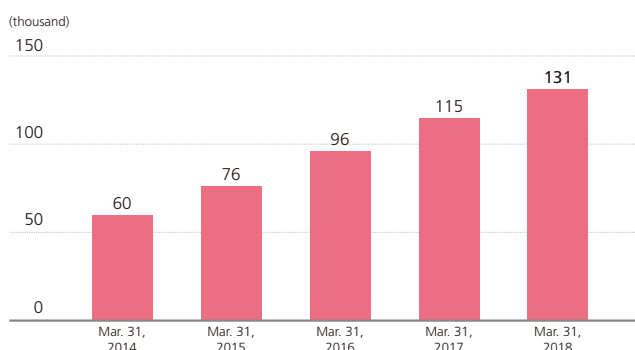
Under the current medium-term management plan, the company is striving to expand business and improve profitability by focusing on the development and expansion of pet shops, the core sales channel, and working on diversifying its sales channels through a multi-line approach.

In fiscal 2017, the company had 31,283 new policies (compared with 31,534 in the previous fiscal year), and policy maintenance remained strong. As a result, the number

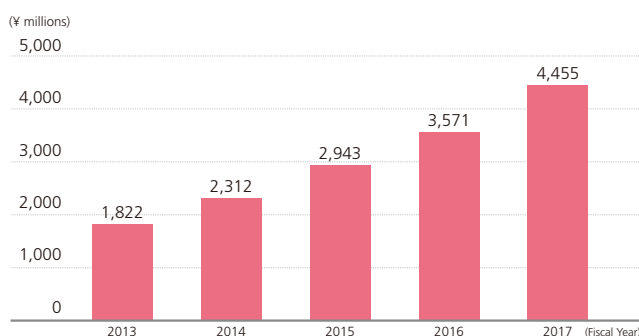
of policies in force increased steadily, to 131,024 (from 115,827 as of the end of fiscal 2016). Reflecting these solid sales results, net premium income rose by ¥800 million year on year to ¥4,400 million, roughly 1.5 times the level before the start of the current Medium-Term Management Plan (fiscal 2015).

The company will expand the sales base centered on the pet shop sales channel, along with providing competitive products and enhanced services, in order to achieve steady and sustained growth in the pet insurance market where further growth in demand is expected going forward.

■ Number of Policies in Force



■ Net Premium Income (Pet Insurance)



ESG Initiatives by Pet & Family Small-amount Short-term Insurance

The company has added a *Pet News Storage* section to its website*, with content including information to enhance pet life and easy-to-understand answers to common questions, as part of efforts to prevent and raise awareness of illness and injuries among pet owners.

*Please see the link below for *Pet News Storage*. (Japanese only)

<https://www.petfamilyins.co.jp/pns/>

Group Companies

As of March 31, 2018

The T&D Life Group comprised the holding company, 16 consolidated subsidiaries, and 3 affiliated companies as of March 31, 2018. Centered on the life insurance business, the T&D Life Group's operations are outlined below:

T&D T&D Holdings, Inc.

Insurance & Insurance-related Businesses

[7 companies]

Insurance

- 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)

Insurance-related

- T&D Confirm Ltd. (Policyholder confirmation services)
- Toyo Insurance Agency Co., Ltd. (Insurance agent)
- Daido Management Service Co., Ltd. (Insurance agent)

Investment-related Businesses

[7 companies]

Investment Management and Advisory

- T&D Asset Management Co., Ltd. (Investment advisory and investment trust services)

Other Investment-related

- T&D Lease Co., Ltd. (Leasing)
 - Taiyo Credit Guarantee Co., Ltd. (Credit guarantee services)
 - Alternative Investment Capital Ltd. (Investment in private equity funds)
- Other subsidiaries and affiliated companies, etc.: 3 companies

Administration-related Businesses

[5 companies]

Administration-related

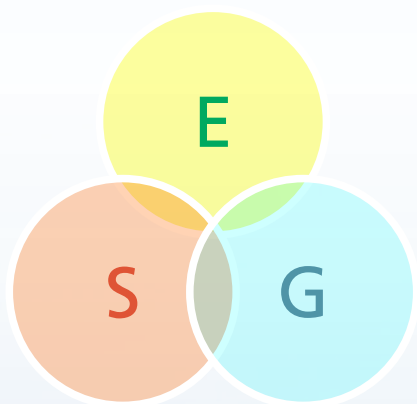
- T&D Customer Services Co., Ltd. (Life insurance policy clerical services, including drafting, amendment, custody and distribution of documents, and delivery of securities)

General Affairs and Calculation-related

- T&D Information Systems, Ltd. (Computer software and system services)
- Nihon System Shuno, Inc. (Premium collection)
- Zenkoku Business Center Co., Ltd. (Premium collection)
- Thuriya Ace Technology Company Limited (Designing and developing information technology, information technology systems, software solutions and business solutions for the insurance industry)

Companies marked by ■ are consolidated subsidiaries, and companies marked by ● are affiliated companies accounted for by the equity method.

Foundations Supporting the Corporate Value



GOVERNANCE

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Three-way Discussion Among Outside Directors

We invited three outside directors to discuss matters such as T&D Holdings' corporate governance, challenges for realizing sustainable growth and their roles as outside directors.

Corporate Governance That Supports Sustainable Growth



Seiji Higaki

Outside director

Held positions including Director, President and Representative Executive Officer of Resona Holdings, Inc. and Director and Vice Chairman of Resona Bank, Ltd. Became director of T&D Holdings in June 2018.



Haruka Matsuyama

Outside director

Attorney. Partner of Hibiya Park Law Offices. Became director of T&D Holdings in June 2013.



Naoki Ohgo

Outside director

After serving as partner at McKinsey & Company, Inc., established Root F Co., Ltd. and became representative director. Became director of T&D Holdings in June 2017.

Governance System of T&D Holdings

Matsuyama

First, with regard to the corporate governance of T&D Holdings (the “Company”), every aspect of the previous governance structure was reviewed when the Company was established and listed in 2004, and a robust system was built as a T&D Life Group (the “Group”).

As to the original role of a holding company to oversee its subsidiaries, in the case of the Company, the system is very well designed where two large operating companies under its umbrella, Taiyo Life and Daido Life, oversee each other in a state of mutual tension under the holding company.

Further, with the enforcement of the Corporate Governance Code, there have been various discussions including director compensation system, the nomination process, utilization of outside directors. My impression is that these matters are already quite well organized at the Company.

Ohgo

Regarding the Board of Directors, everyone is really engaged in serious and active discussions. The essential thing is not what kind of system you put in place. What’s more important is whether the system is actually working or not. That is, whether or not the Board of Directors serves as a place

where people can express a range of opinions from their various viewpoints. I think the Company has managed to do this, and I can say it’s one of the Company’s strengths.

Higaki

I agree that governance is not simply a matter of form. There are a lot of attention on the “company with committees system,” the number of outside directors or female directors and so on. But what’s essential is the corporate culture. For example, whether you can point out if something is wrong with the senior management, or you can express opinions on what other companies in the Group are doing. It’s only been a while since I became a director in June 2018, but in the case of the Group, we have three coexisting subsidiaries: Taiyo Life, Daido Life and T&D Financial Life, and I feel that it would be even better if they would give their opinions about each other more often.

Matsuyama

I think our Board of Directors is very advanced. In particular, its systems for risk management and oversight of subsidiaries are reliable, and the reporting, including advance briefings, is substantial.



My impression is that the director compensation system, the nomination process, utilization of outside directors and so on, are already quite well organized at T&D Holdings, Inc.

——— Director Matsuyama

Ohgo

We at least get together twice a month for Board of Directors meetings and advance briefings. We really have discussions quite often. In that sense, I think a thorough effort is made to have discussions that include outside viewpoints. The various analytical materials are substantial too. Loads and loads of these materials are sent to us in advance. Honestly, I was amazed by how they were so conscientious.

Higaki

I would appreciate if we have a venue for lively discussions other than at the Board of Directors meetings. The Board of Directors meeting is a place for legal decision-making, so it's better to have an opportunity to exchange opinions frankly beforehand.

Ohgo

That's true. If I had to raise an issue, that would be it. It's possible for issues to be overlooked in the current management agenda, so it's good to create a venue for sincere discussion of those issues.

Mid- to Long-term Strategies and Challenges

Higaki

I had a strong impression for the T&D Life Group of being in a "unique position" in the insurance industry with a "sound management." After becoming a director, I realized that the Group's unique position is the result of its pioneering spirit, and the soundness is the result of its diligent corporate culture.

However, a "pioneering spirit" can quickly go out of date, and "diligence" can lead to seeking stability in a crowd. I think that the Group's corporate philosophy of "Try & Discover" is likely to take on greater and greater importance.

Matsuyama

I agree. I think we must leverage the uniqueness and specialization of the Group's business model to take preemptive action amid the challenging environment of the declining birthrate, aging population and ultra-low interest rates, and the trend toward buyouts of small- to mid-sized life insurers by major life insurers.

Ohgo

In the case of Taiyo Life, the population of its target senior market will continue to increase for the next decade or so. This is in reverse to the declining trend in the overall population, so I think the market will remain solid for some time.

As an expert in corporate coverage, Daido Life provides insurance products to address the various risks facing SMEs. These enterprises make up the majority of Japanese companies, and numerous new enterprises are being launched, so I believe that the company could find a new growth curve.

With regard to T&D Financial Life, the senior demographic has a lot of financial assets, and the market size will expand as the senior population increases. In that sense, the company is at a significant structural advantage as it is targeting a growth market.

Higaki

Products and services are generated by customer needs. In a household, the father might be an SME owner, the son might work for a company, and the mother might be a full-time homemaker. The needs that arise in a household are not exclusive to any one company. When we think about the future growth, for example, one idea would be to expand the kind of cross-selling that Taiyo Life and Daido Life are doing now, in line with the strategies each company has developed for their targets.

Matsuyama

Thus far, the Group has grown by each of the operating companies leveraging its respective strengths. However, if we foresee the next 10 or 20 years, I think it is important for us all to, once again, discuss what direction the Group should take at this time where we are creating the next medium-term management plan. For instance, if the Group engages in an M&A, the challenge will be on how the Company will manage the acquired company.

Ohgo

In general, when making a medium-term management plan for example, the top one or two companies in the industry are affected by macro-trends and consequently, their financial results tend to be close to average. However, a group like

T&D Life, a kind of collection of niche companies, could be viable by how the companies fill each space in the market. The Group has various potential, one option is to pursue niche markets downright and establish certain niche businesses. On the other hand, since there are three unique life insurance companies, the next medium-term management plan will be close to perfect if we can create new business opportunities by leveraging from them. If we could further expand from 1+1+1...that how I am thinking.

Higaki

I agree with Mr. Ohgo's view. T&D is a life insurance group with highly unique characteristics that differs from other life insurance groups. I think it could do as it likes, without being constrained by what rivals are doing.

In business, existing and new businesses are not mutually exclusive alternatives. However, if you choose only the existing businesses, you may find yourself at a dead end because you have failed to notice environmental changes or risks. And if you don't test yourself against the competition away from home ground with new businesses, your human resources will not develop. There is a risk the people will inevitably take a conservative approach to work if you do not try new things. There's no need to take on challenges recklessly, but I think a company should expand into areas where it thinks it can succeed based on what it's doing now.

I am considering whether we can create new business opportunities by leveraging from the three unique life insurance companies.

—— Director Ohgo





Some say that the domestic life insurance market will shrink due to the declining birthrate and aging population. But I think the market is still fertile.

—— Director Higaki

Matsuyama

The talk about utilization of IT and AI is all very abstract at this point like trying to catch a cloud. But I have a feeling that everything will advance instantly at a certain point of time. If we don't prepare for that moment not to be left behind, I think it will be very difficult to cope when groundbreaking technologies and services appear.

Until now, financial institutions have moved in lockstep. However, competitors may emerge from industries other than finance and life insurance, and it is necessary to pay attention to keeping up with new technologies and securing human resources.

Ohgo

It's also crucial to return to customer needs and ask what the customers themselves want us to do. Based on that, we can consider how to use digital technologies such as AI or data science.

The Role as Outside Directors

Ohgo

With in-house discussions, it's possible to fall into traps of your own making, because everyone starts to think in the same way. From my perspective as an outsider, I can suggest how market trends should be assimilated for example. I consider this as the added value I can offer serving as an outside director.

In addition, I believe the theme of the next medium-term management plan is "a new leap forward." I want to play a role in supporting the creation of a new management model in that process — not imitating other companies, but creating. It would be boring to set other companies as our benchmark. Creating something not found anywhere else is the T&D Holdings way. I believe my mission is to help accomplish that.

Matsuyama

“What direction should the Company take as a holding company?” This is the challenge for the entire Group, and now is the time to discuss it under the new president. The relationship between the parent company and its subsidiaries is a crucial point, and since this is my area of specialization as a lawyer, I believe that I can assist in this matter.

Considering the status of the holding company is a very big step forward. Discussions on how we build the relationship between the holding company and the operating companies, and if we were to change that relationship, it may be difficult to make progress if they are limited to in-house members of the Company. From the independent standpoint of an outside director, it is both easier to make the argument about how things should be, and to gain people’s understanding of the ideas.

Higaki

Some say that the domestic life insurance market will shrink due to the declining birthrate and aging population. But I think the market is still fertile. For instance, television programs related to health are quite common, but programs related to money seem to be relatively scarce. Japan’s current social issues are rooted in the risks and difficulties associated with longevity. These inevitably involve money problems and that’s where the customer needs are. The next stage for the Group is to create a structure that can accurately respond to customer needs in this context. The Group is working strenuously toward the next stage in a so called “shrinking Japan” with its declining population and other issues. As a member of the Group, I hope to fulfill my role by supporting its growth from an outside perspective.



Corporate Governance

T&D Holdings, Inc. (the “Company”) has been enhancing its corporate governance on the basic approach of creating efficient and transparent management systems to facilitate flexible and cohesive group operations.

The Company values the purport of the Japan’s Corporate Governance Code (the “Code”), which applies to listed companies, and has established the Basic Policy on Corporate Governance* as an initiative in response to the major principles.

*Please see our website for more detail of the Basic Policy on Corporate Governance.

<http://www.td-holdings.co.jp/en/company/governance/>

Promoting Group Management

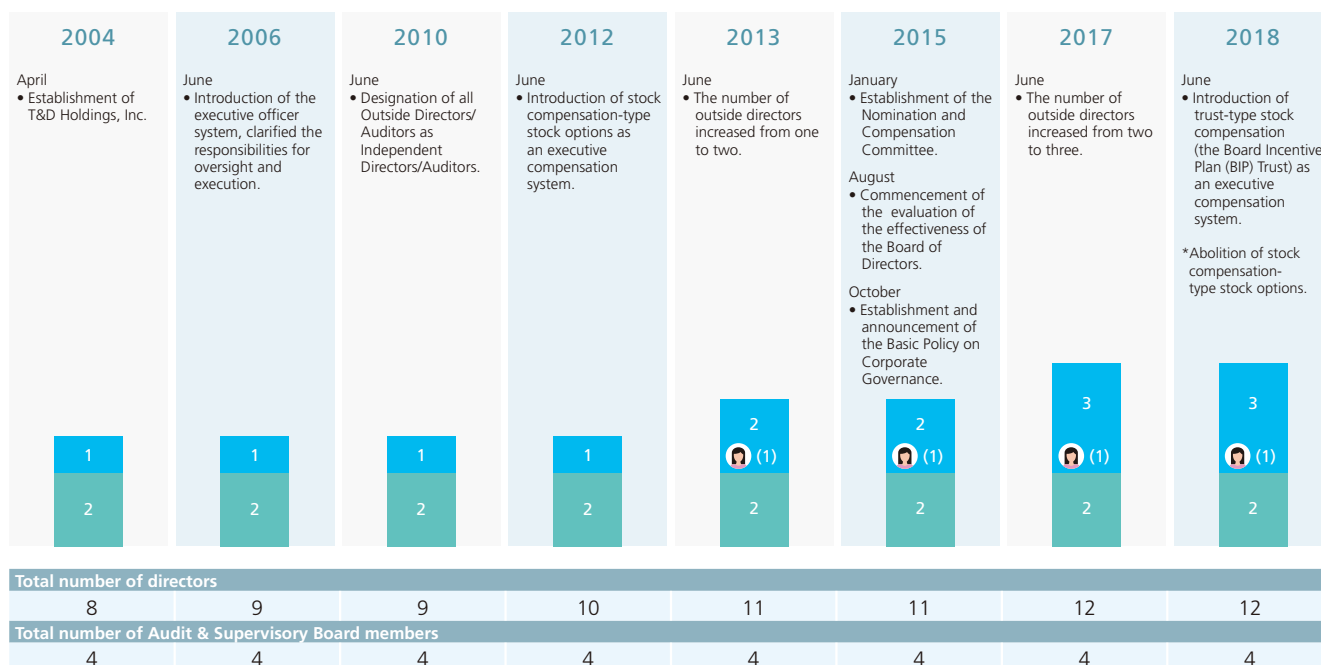
The Company, as a holding company, fulfills the roles of deciding on the strategy of the T&D Life Group (the “Group”), appropriately allocating the Group’s business resources and formulating capital strategies. Along with this, the Company shall strive to establish a Group business management system through such means as rigorously enforcing Group-wide risk-return management by accurately grasping the business risks borne by its five directly owned subsidiaries, centered on affiliates Taiyo Life, Daido Life, T&D Financial Life, as well as T&D Asset Management and Pet &

Family Small-amount Short-term Insurance.

The directly owned subsidiaries, with their own unique business strategies, aim to expand the Group’s corporate value by maximizing their uniqueness and specialization through determining marketing strategies and operating businesses in line with their strengths.

In this way, the Group is promoting group management by clarifying the respective roles and responsibilities of the Company and its directly owned subsidiaries.

History of T&D Holdings’ Corporate Governance



■ Outside directors (No. of people) 👤 of which; female outside directors (No. of people) ■ Outside Audit & Supervisory Board members (No. of people)

Corporate Governance System

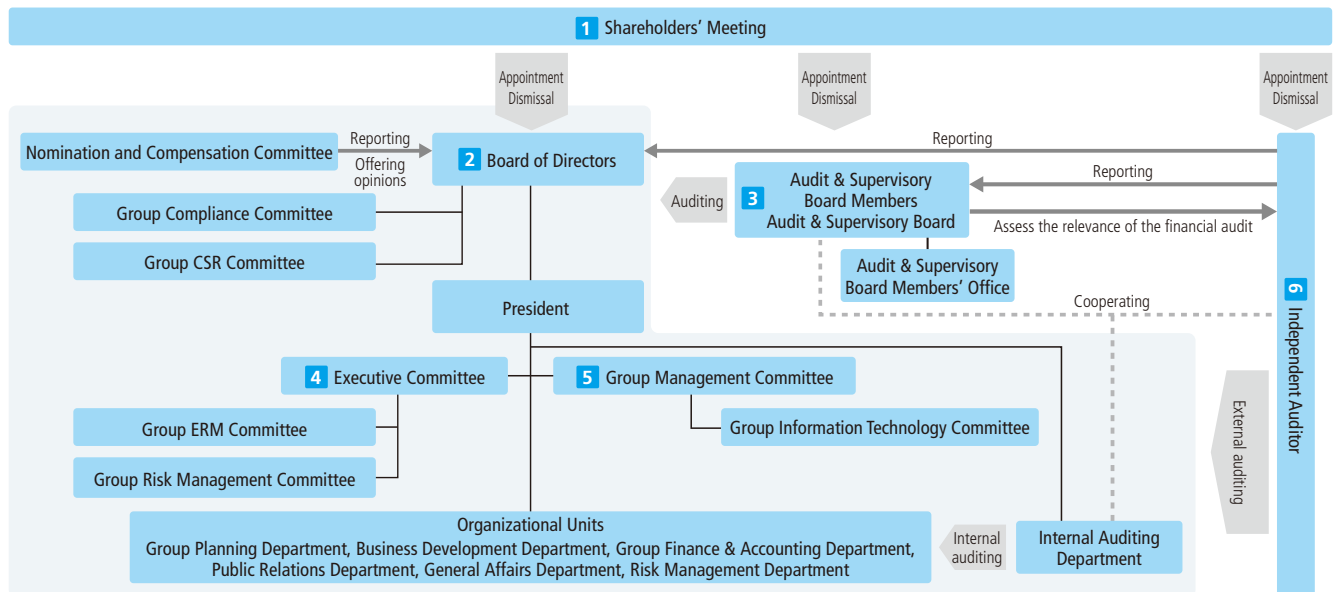
The Company makes decisions on important business matters and oversee the execution of business through its Board of Directors. The Company is a “Company with Board of Auditors.” Accordingly, the Company shall audit the performance of directors’ duties through its Audit & Supervisory Board and Audit & Supervisory Board members, which are independent of the Board of Directors.

In addition, the Company has introduced an executive officer system for the purpose of bolstering its business execution capabilities. By sharply delineating responsibilities

for oversight and execution, the Company strengthens the governance function of the Board of Directors.

Furthermore, the Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors for the purpose of discussing the fairness and appropriateness of the appointment and compensation of directors and Audit & Supervisory Board members, among other related issues, as well as for ensuring the transparency of management and enhancing accountability.

Corporate Governance Framework



1 Shareholders' Meeting	The Shareholders' Meeting is the highest decision-making entity of the Company. At the meeting, reports are made on the Group's business and consolidated/non-consolidated financial statements, and resolutions are made on important issues, which are stipulated in laws and ordinances and the Articles of Incorporation, such as the appropriation of retained earnings and election of officers. The Ordinary General Meeting of Shareholders is held once a year.
2 Board of Directors	Number of meetings held: 21 The Board of Directors makes resolutions on important issues related to the business execution of the Company, and oversees the performance of directors and executive officers.
3 Audit & Supervisory Board Members Audit & Supervisory Board	Number of meetings held: 16 The Audit & Supervisory Board members audit the performance of duties by directors, and give proposals, advice, and suggestions to directors and the Board of Directors to ensure the sound management of the Company. The Audit & Supervisory Board reports on important issues regarding audits performed by each Audit & Supervisory Board member, which are then deliberated and resolved.
4 Executive Committee	Number of meetings held: 50 The Executive Committee consists of the chairman, the president and executive officers. The Executive Committee discusses important issues such as strategies related to the business management of the Group.
5 Group Management Committee	Number of meetings held: 15 The Group Management Committee consists of members including the president of the Company and the presidents of the three life insurance companies. The Group Management Committee discusses important issues such as the Group's cross-sectional strategies.
Committees	Committees discuss the strategies and matters of the Company or those common to the Group.

6 Information related to the Independent Auditor (FY2017)	Category	Remuneration for audit certification services (¥ millions)	Remuneration for non-audit services (¥ millions)
	Submitting company	188	11
	Consolidated subsidiaries	211	19
	Total	399	31

Roles of the Board of Directors

The Board of Directors shall make decisions on important business matters and oversee the execution of business in accordance with laws and ordinances, the Articles of Incorporation, and the Company’s relevant rules.

The Company’s Board of Directors has entrusted all authority related to the execution of business, other than matters stipulated in the preceding paragraph, to the

representative director and president. Furthermore, the representative director and president delegates authority related to the execution of business to executive officers in charge of business operations for the purpose of separating oversight functions and business execution functions. This framework is designed to facilitate decision-making for business execution matters.

Composition of the Board of Directors

The number of directors shall be no more than 12 as stipulated by the Articles of Incorporation. The Board of Directors shall be made up of individuals representing a balance of knowledge, experience and skills, and having diverse backgrounds as befitting the expansive range of business domains in the life insurance business.

Moreover, the Company shall appoint two or more directors who concurrently serve at the Company and its directly owned subsidiaries, including the presidents of the three life insurance companies. This shall be done from the standpoint of facilitating adequate communication and rapid decision-making within the Group, along with bolstering Group-wide governance.

Furthermore, the Company shall appoint two or more

outside directors to appropriately reflect the opinions of individuals with extensive experience and knowledge in their capacity as outside corporate managers, legal experts and so forth in the Group’s management policies and development of internal controls and other systems as well as in the oversight of the execution of business.



Nomination and Compensation Committee

In January 2015, the Company established the Nomination and Compensation Committee, chaired by an outside director and comprising the president and outside directors, as an advisory body to the Board of Directors for the purpose of discussing the fairness and appropriateness of the appointment and compensation of directors and Audit & Supervisory Board members, as well as ensuring the transparency of management and enhancing accountability. In fiscal 2017, the Nomination and Compensation Committee was held a total of seven times.

Nomination and Compensation Committee (held seven times in fiscal 2017)

Fiscal 2017 Nomination and Compensation Committee	Deliberation and reporting matters
1st Nomination and Compensation Committee	<ul style="list-style-type: none"> • Appointment of directors, Audit & Supervisory Board members, and substitute Audit & Supervisory Board members • Revision of the limit on remuneration to outside directors
2nd Nomination and Compensation Committee	<ul style="list-style-type: none"> • Evaluation of the effectiveness of officers for fiscal 2016
3rd Nomination and Compensation Committee	<ul style="list-style-type: none"> • Succession plan
4th Nomination and Compensation Committee	<ul style="list-style-type: none"> • Change in Representative Director and President
5th Nomination and Compensation Committee	<ul style="list-style-type: none"> • Amendment to the Articles of Incorporation, in conjunction with a shortening of the directors’ term of office
6th Nomination and Compensation Committee	<ul style="list-style-type: none"> • Appointment of executive officers
7th Nomination and Compensation Committee	<ul style="list-style-type: none"> • Consideration of a new stock compensation system for directors and executive officers

Reference: Executive compensation

Compensation for directors (excluding part-time directors such as outside directors) comprises monthly compensation, bonuses, and stock compensation-type stock options. Compensation for part-time directors, including outside directors comprises monthly compensation.

The monthly compensation and bonuses of each director are discussed and determined by the Nomination and Compensation Committee, based on a review of the Company's business performance and a review of individual performance, in line with an assessment of the director's assigned division, and in accordance with the evaluation standards determined by the Board of Directors.

Stock acquisition rights as stock compensation-type stock options are granted to directors (excluding part-time directors such as outside directors, who are independent from business execution) according to their rank, for the purpose of enhancing their motivation to contribute to increasing corporate value. Directors (excluding part-time directors such as outside directors) also allocate a certain amount of their monthly compensation to purchase treasury shares through director/Audit & Supervisory Board member share ownership.

Compensation for Audit & Supervisory Board members comprises monthly compensation.

Total Compensation Paid to Directors and Audit & Supervisory Board Members

Category	Monthly compensation		Reserve for bonuses		Stock compensation-type stock options		Total compensation	
	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)
Directors	14	210	6	58	6	65	14	334
(Outside appointees)	(3)	(26)	(0)	(—)	(0)	(—)	(3)	(26)
Audit & Supervisory Board members	5	78	0	—	0	—	5	78
(Outside appointees)	(2)	(19)	(0)	(—)	(0)	(—)	(2)	(19)
Total	19	288	6	58	6	65	19	413

(Notes)

- 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, which was established separately from the above annual compensation limit for directors (excluding outside directors).
- The abovementioned payments include two directors and one Audit & Supervisory Board member who stepped down from their posts, as of the close of the thirteenth Ordinary General Meeting of Shareholders held on June 28, 2017. As of March 31, 2018, the Group had twelve directors and four Audit & Supervisory Board members.

At the fourteenth Ordinary General Meeting of Shareholders held on June 27, 2018, it was resolved to introduce a trust-type stock compensation, the Board Incentive Plan (BIP) Trust*, which uses a trust to deliver the Company's shares, etc. to directors (excluding part-time directors such as outside directors and non-residents in Japan) and executive officers (excluding non-residents in Japan),

with the aim of enhancing their motivation to contribute to improving business performance and enhancing corporate value over the medium- to long-term (the above "stock compensation-type stock options" were abolished in conjunction with the introduction of this system).

*In the BIP Trust, if a director or executive officer is determined to have caused damage to the Company or engaged in gross misconduct during his or her term of office, the payment of stock compensation may be restricted.

Cross-shareholdings

Purpose and Balance of Cross-shareholdings

At the Group, Taiyo Life and Daido Life engage in cross-shareholdings of listed stocks in order to maintain and expand long-term, stable business relationships, and/or maintain and strengthen business partnerships.

As of March 31, 2018, the balance of cross-shareholdings of listed shares (investment stocks stated in the "YUHO Report," held for purposes other than pure investment) was ¥262.4 billion (43 stocks) at Taiyo Life and ¥313.1 billion (189 stocks) at Daido Life.

Exercise of Voting Rights of Cross-shareholdings

The two companies have expressed their commitment to the Stewardship Code, and with regard to cross-shareholdings of listed stock, exercise voting rights similarly to stocks held for purely investment purposes, based on the Stewardship Code. The individual results of the exercise of voting rights are posted on each company's website.

Exercise of voting rights of Taiyo Life (Japanese only):

<https://www.taiyo-seimei.co.jp/company/activity/ssc.html>

Exercise of voting rights of Daido Life (Japanese only):

<https://www.daido-life.co.jp/company/csr/investor/ssc/voting.html>

Effectiveness Evaluation of the Board of Directors

To ensure the effectiveness of the Board of Directors, the Company conducts an annual performance review of the Board of Directors as a whole based on the self-evaluations of individual directors. The performance review examines whether the Board of Directors is functioning appropriately and producing results, and how the Board of Directors is contributing to increasing the Company’s corporate value over the medium- to long-term.

Summary of the Evaluation of the Effectiveness of the Board of Directors as a Whole in Fiscal 2017

1. Evaluation procedures	The Company conducted an analysis and assessment of the effectiveness of the Board of Directors as a whole in fiscal 2017, based on self-evaluations (questionnaires) and interviews of the directors and Audit & Supervisory Board members.
2. Evaluation items (5 items)	(i) Function of the Board of Directors (ii) Composition of the Board of Directors (iii) Operation of the Board of Directors (iv) Provision of information to Outside Directors/Audit & Supervisory Board members (v) Overall assessment
3. Overall assessment	The Company considers the Board of Directors of the Company is generally performing its roles and responsibilities effectively as a whole, through the reinforcement of advance measures prior to actual discussions at the Board of Directors, the improvement of the operation of the Board of Directors, and the promotion of diversity in the composition of the Board of Directors, etc.
4. Improvement status of issues recognized in the previous evaluation	Issues recognized in the evaluation for fiscal 2016 (review of deliberation methods and materials of the Board of Directors, improvement of training for directors, diversity in the composition of members, etc.) have generally been improved.
5. Issues recognized in the current evaluation and initiatives going forward	Regarding the development of a framework for enhancing the effectiveness of the Board of Directors, the Company continues to recognize the necessity for improvement. For example, the Company will make efforts in dealing with the limited time for discussion within the meetings of Board of Directors (the necessity of setting up a forum for discussions other than the meetings of Board of Directors), further improvement of meeting materials, devising the contents of report and so forth, for the Board of Directors. Based on the assessment of effectiveness and other information, the Company is working to further improve the supervisory functions and the decision-making process of the Board of Directors.

Reference: Status of activities of outside directors and outside Audit & Supervisory Board members

Outside directors and outside Audit & Supervisory Board members engage in activities including periodic “exchanges of opinions with the representative directors,” “exchanges of opinions with an independent auditor,” “exchanges of opinions with the heads of each department,” “exchanges of opinions with the directors and executive officers of the major subsidiaries,” “exchanges of opinions with the outside directors and outside Audit & Supervisory Board members of the major subsidiaries,” and “visits to the business offices of the major subsidiaries.”

Based on knowledge regarding the current status of, and the issues facing the Group acquired through such activities, the outside directors and outside Audit & Supervisory Board members express their opinions, as necessary, from their respective professional perspectives, and activate the deliberations at the Board of Directors.

Risk Management

In light of the important social role played by its life insurance business, the Group considers the accurate assessment and control of risk to be one of the top management priorities for ensuring sound and appropriate management. Under the supervision of the Company, each Group company carries out appropriate risk management based on the

principle of self-responsibility.

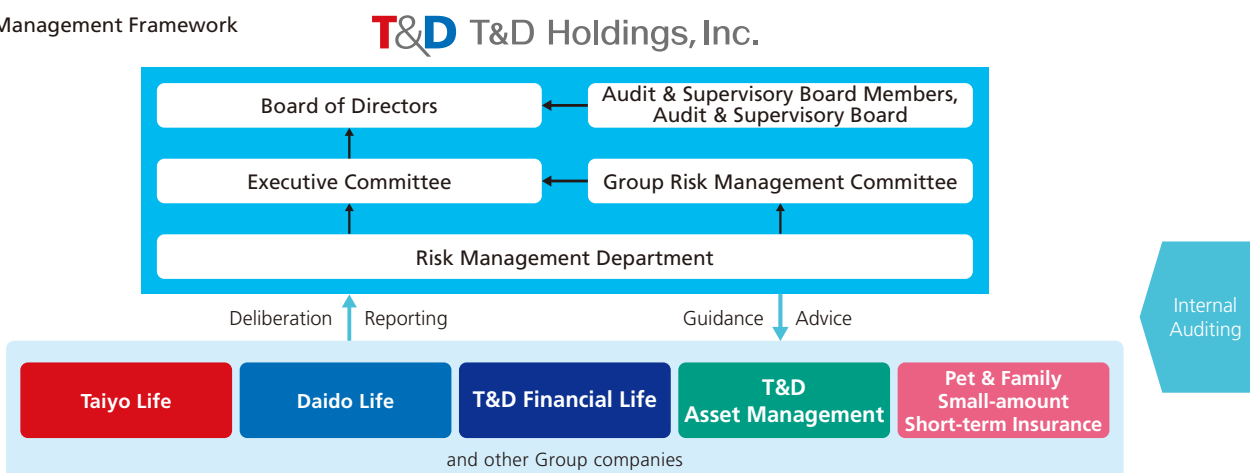
Furthermore, the Group conducts integrated risk management through such means as utilizing risk management indicators based on economic value, which values assets and liabilities on a mark-to-market basis.

Basic Policy on Risk Management and the Risk Management System

The Group has established a Group Risk Management Policy that sets forth the basic concepts for managing risk within the Group. Based on this policy, the Group companies, including the three life insurance companies, have developed their risk management systems which include their affiliates. The Company has established the Group Risk Management Committee to supervise the risks within the Group. The Group Risk Management Committee grasps and manages the condition of each Group company's various

risks by receiving reports based on unified risk management indicators regularly or on an as-needed basis from the Group companies including the three life insurance companies. In addition, the Company reports the risk condition of each Group company to the Board of Directors and on an as-needed basis, provides guidance and advice to the Group companies including the three life insurance companies. This not only ensures that each of the companies conducts thorough risk management but also strengthens Group-wide risk management.

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.

*Please see our website for more detail of the Compliance Promotion System.

<http://www.td-holdings.co.jp/en/company/governance/compliance.html>

Basic Policy for Responding to Antisocial Forces

In its Group Compliance Code of Conduct, the Group defines its policy toward antisocial forces as to "reject and stringently respond to any antisocial forces which threaten the order and safety of the civil society." In accordance with

this policy, the Group has formulated "T&D Life Group Basic Policy for Responding to Antisocial Forces," and has announced this on the Company's website.

*Please see the link below for the Basic Policy for Responding to Antisocial Forces. (Japanese only)

<http://www.td-holdings.co.jp/information/antisocial-forces.html>

Accountability

The Company works to disclose information in line with the basic concept of striving to increase the transparency of management by appropriately and timely disclosing corporate information, including appropriate financial information and non-financial information regarding management strategies, management priorities and other matters.

In specific terms, the Company strives to provide easy-to-understand disclosure based on the fair disclosure rules of timeliness, fairness and accuracy in order to

maintain and reinforce trust among all of its stakeholders, including customers, shareholders, employees, insurance agents, business partners, and local communities, and to increase the level of management transparency.

In releasing information, the Company strives to disclose information to as many people as possible using various media.

Furthermore, the Company is actively engaged in IR activities based on its IR Policy (see page 65), while ensuring that briefings are provided by members of senior management, in principle.

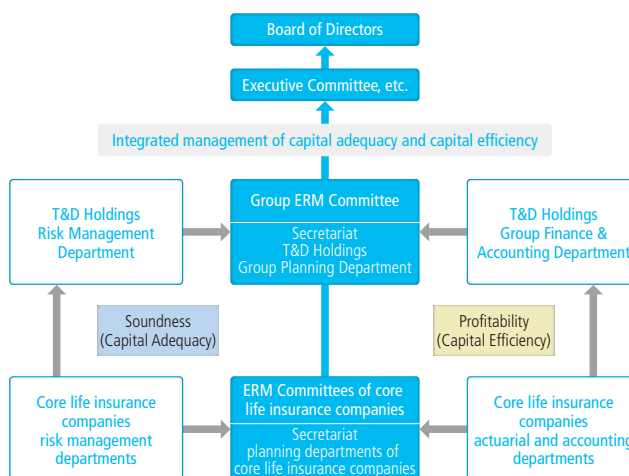
ERM (Enterprise Risk Management)

ERM (Enterprise Risk Management) is a strategic management method used to achieve managerial goals such as raising corporate value (EV) and maximizing earnings, through the integrated management of profit, risk and capital. As its major feature, it quantifies profit, risk and capital with the same criteria to make them “visible,” and by integrally managing them and making management decisions, it enables us to pursue profit by controlling soundness through a comparison between risks and management strengths.



1. Organizational Structure

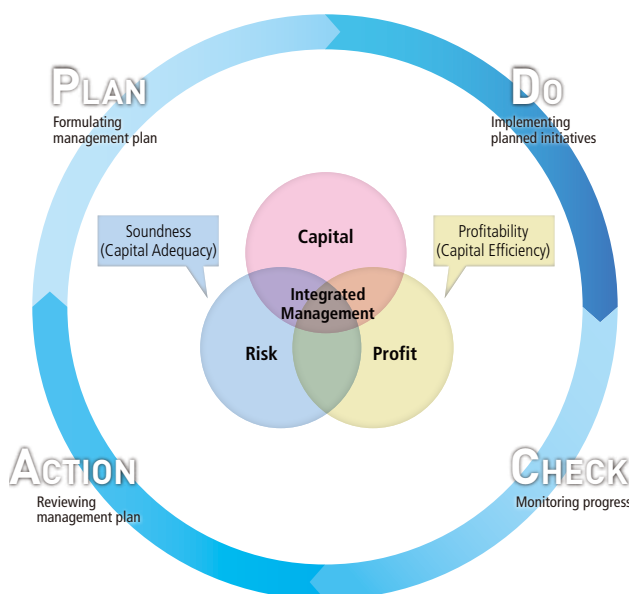
The Group has organized the Group ERM Committee to conduct ERM on a Groupwide basis. The committee leads efforts to promote ERM throughout the Group, aiming to improve its soundness while achieving stable and sustainable increases in corporate value.



2. PDCA Cycle

Under ERM, the process of realizing the growth of corporate value is the PDCA cycle. It leads the management toward achieving goals, while repeating PLAN (formulating the management plan), DO (implementing planned initiatives), CHECK (monitoring progress), and ACTION (reviewing the management plan).

The Group evaluates profit, risk, and capital on an economic value basis and sets standards for soundness and profitability as the Group Risk Appetite. Then, it promotes ERM through the above PDCA cycle in order to meet the Group Risk Appetite.



Group Risk Appetite standards

Soundness	ESR	133% and above
Profitability	ROEV	7.5% and above
	(Core ROEV)	(5.0% and above)

*ESR = Surplus (Capital) ÷ EC (Risk)

*ROEV = Increase in EV ÷ Average of EV (Groupwide basis)

*Core ROEV = (Embedded value of new business + Expected existing business contribution from risk free rate) ÷ Average of EV

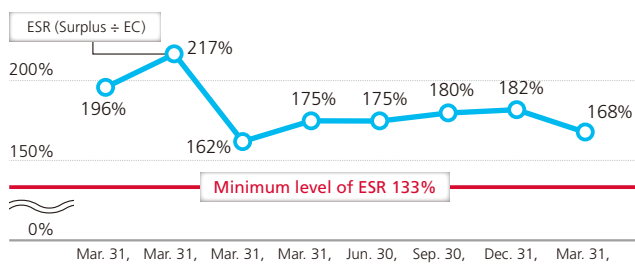
Achieve a Balance of Both High Soundness (Capital Adequacy) and Profitability (Capital Efficiency)

Soundness Indicator: ESR

The Group has introduced ESR (Economic Solvency Ratio) as a soundness indicator based on economic value, and by controlling ESR within a set range, the Group works to maintain financial soundness and capital adequacy.

The minimum level of ESR of 133% represents the capital level needed to cover VaR 99.93%.

Status of ESR

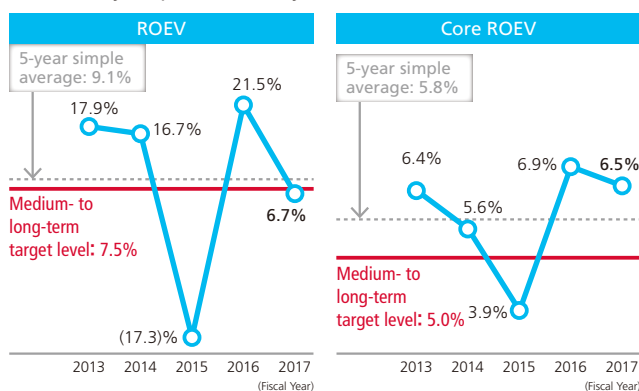


ESR is calculated by dividing net assets based on economic value (surplus) by the risk volume (EC: economic capital) quantified using an internal model.

Profitability Indicator: ROEV and Core ROEV

As a profitability (capital efficiency) indicator, considering the specificities of the life insurance accounting, the Company uses "ROEV (Return on Embedded Value)," which is calculated using EV, and Core ROEV, which is centered on the increase in EV as a result of an acquisition of new policies.

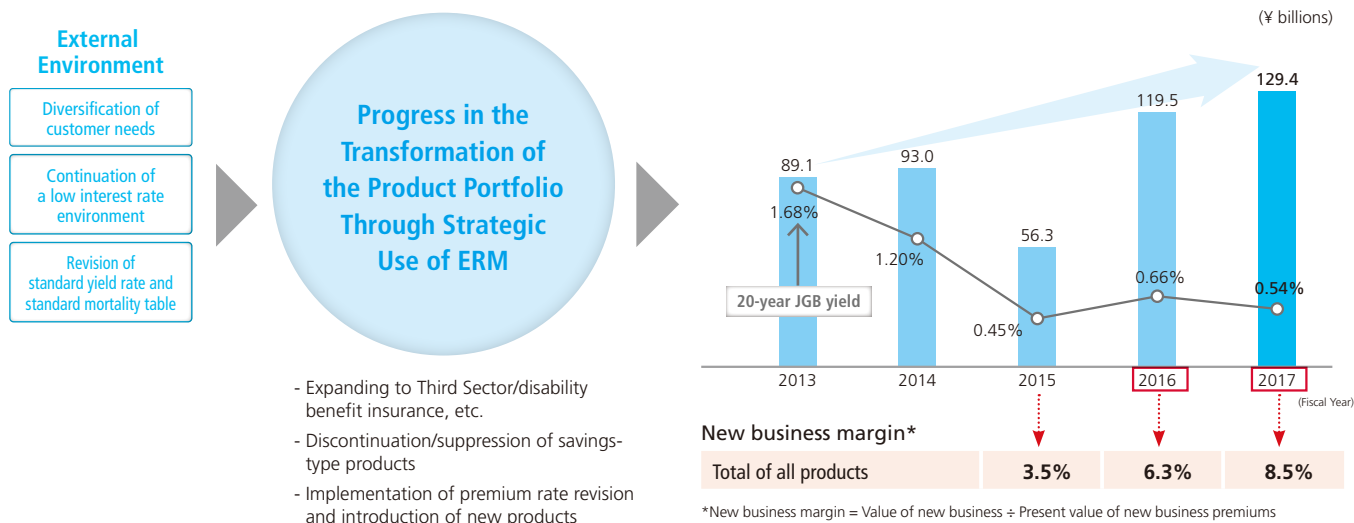
Profitability (Capital Efficiency) Indicator



Results of ERM Management:

Increase in the Value of New Business Due to Transformation of the Product Portfolio

As the external environment changes, such as diversification of customer needs and revision of the standard yield rate and standard mortality table, we strategically utilized ERM to flexibly manage profit, risk and capital for the Group as a whole. There was a steady increase in the value of new business even in a low interest rate environment.



Management Organization

Board of Directors

 <p>Representative Director and Chairman TETSUHIRO KIDA</p>	<p>Personal history</p> <p>Apr. 1976 Joined Daido Life Mar. 1999 General Manager of Planning Department of Daido Life 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 Managing Executive Officer of T&D Holdings</p> <p>Apr. 2010 Representative Director and President of Daido Life, Director of T&D Holdings Apr. 2015 Representative Director and Chairman of Daido Life (current), Representative Director and President of T&D Holdings Apr. 2018 Representative Director and Chairman of T&D Holdings (current)</p> <p>Significant concurrent positions</p> <p>Representative Director and Chairman of Daido Life</p>	<p>Number of the Company's share held* 25,917</p> <p>Attendance to the Board of Directors' meetings 21 / 21</p>
 <p>Representative Director and President HIROHISA UEHARA</p>	<p>Personal history</p> <p>Apr. 1984 Joined Taiyo Life Jan. 2005 General Manager of Investment Planning Department of Taiyo Life Feb. 2005 Director of T&D Asset Management Apr. 2007 General Manager of Group Planning Department of T&D Holdings Apr. 2010 Director of T&D Asset Management Apr. 2011 Executive Officer and General Manager of Group Planning Department of T&D Holdings Apr. 2012 Director of T&D Financial Life Apr. 2014 Executive Officer of Taiyo Life Jun. 2014 Director and Executive Officer of Taiyo Life</p> <p>Apr. 2015 Director and Managing Executive Officer of Taiyo Life Apr. 2016 Director and Senior Managing Executive Officer of Taiyo Life Apr. 2017 Director of Taiyo Life (current), Executive Vice President of T&D Holdings Jun. 2017 Director of T&D Financial Life, Representative Director and Executive Vice President of T&D Holdings Apr. 2018 Representative Director and President of T&D Holdings (current)</p> <p>Significant concurrent positions</p> <p>Director of Taiyo Life</p>	<p>Number of the Company's share held* 16,412</p> <p>Attendance to the Board of Directors' meetings 16 / 16</p>
 <p>Director and Senior Managing Executive Officer KOICHI SEIKE</p>	<p>Personal history</p> <p>Apr. 1980 Joined Daido Life Apr. 2003 General Manager of Profit Management and Actuarial Department of Daido Life Jun. 2006 Executive Officer of Daido Life Apr. 2010 Managing Executive Officer of Daido Life Jun. 2011 Director and Managing Executive Officer of Daido Life Apr. 2014 Managing Executive Officer of T&D Holdings Jun. 2014 Director and Managing Executive Officer of T&D Holdings Apr. 2016 Director and Senior Managing Executive Officer of Daido Life (current), Director and Senior Managing Executive Officer of T&D Holdings (current)</p> <p>Significant concurrent positions</p> <p>Director and Senior Managing Executive Officer of Daido Life</p>	<p>Number of the Company's share held* 22,113</p> <p>Attendance to the Board of Directors' meetings 21 / 21</p>
 <p>Director and Senior Managing Executive Officer CHIKAHIRO TSUBOI</p>	<p>Personal history</p> <p>Apr. 1980 Joined Taiyo Life Mar. 2009 General Manager of Securities Investment Department of Taiyo Life Apr. 2010 Executive Officer of Taiyo Life Jun. 2010 Director and Executive Officer of Taiyo Life Oct. 2011 Audit & Supervisory Board Member of T&D Asset Management Apr. 2014 Director and Managing Executive Officer of Taiyo Life Apr. 2015 Managing Executive Officer of T&D Holdings Jun. 2016 Director of T&D Financial Life (current), Director of T&D Asset Management (current), Director and Managing Executive Officer of T&D Holdings</p> <p>Apr. 2017 Director and Senior Managing Executive Officer of T&D Holdings (current)</p> <p>Significant concurrent positions</p> <p>Director of T&D Financial Life Director of T&D Asset Management</p>	<p>Number of the Company's share held* 40,149</p> <p>Attendance to the Board of Directors' meetings 21 / 21</p>
 <p>Director and Senior Managing Executive Officer MITSUHIRO NAGATA</p>	<p>Personal history</p> <p>Apr. 1985 Joined Daido Life Apr. 2008 General Manager of Profit Management and Actuarial Department of Daido Life Apr. 2011 Executive Officer of Daido Life Apr. 2015 Managing Executive Officer of Daido Life Jun. 2015 Director and Managing Executive Officer of Daido Life Apr. 2017 Managing Executive Officer of T&D Holdings Apr. 2018 Director of Daido Life (current), Senior Managing Executive Officer of T&D Holdings</p> <p>Jun. 2018 Director of T&D Financial Life (current), Director and Senior Managing Executive Officer of T&D Holdings (current)</p> <p>Significant concurrent positions</p> <p>Director of Daido Life Director of T&D Financial Life</p>	<p>Number of the Company's share held* 13,437</p> <p>Attendance to the Board of Directors' meetings —</p>
 <p>Director and Managing Executive Officer YASURO TAMURA</p>	<p>Personal history</p> <p>Apr. 1987 Joined Taiyo Life Jul. 2009 General Manager of Planning Department of Taiyo Life Apr. 2014 Executive Officer of Taiyo Life Jun. 2015 Director and Executive Officer of Taiyo Life Apr. 2017 Director and Managing Executive Officer of Taiyo Life (current) Apr. 2018 Managing Executive Officer of T&D Holdings Jun. 2018 Director and Managing Executive Officer of T&D Holdings (current)</p> <p>Significant concurrent positions</p> <p>Director and Managing Executive Officer of Taiyo Life</p>	<p>Number of the Company's share held* 3,858</p> <p>Attendance to the Board of Directors' meetings —</p>



Outside Director
HARUKA MATSUYAMA

Personal history

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

Reasons for selection

Ms. Haruka Matsuyama has sophisticated expertise and extensive insight as an attorney at law specialized in corporate legal affairs. She has been selected as an Outside Director because she is expected to serve her role as an Outside Director in making key management decisions and supervising the execution of operations from a perspective of protecting general shareholders by capitalizing on her knowledge and experience.

Significant concurrent positions

Attorney at Law
Audit & Supervisory Board Member of MITSUI & CO., LTD.
Director of Mitsubishi UFJ Financial Group, Inc.
Director of VITEC HOLDINGS CO., LTD.

Number of
the Company's
share held*
2,070

Attendance to
the Board of
Directors' meetings
20 / 21



Outside Director
NAOKI OHGO

Personal history

Apr. 1985 Joined McKinsey & Company, Inc.
Jul. 1999 Partner of McKinsey & Company, Inc.
Jul. 2005 Executive Officer of GE Consumer Finance K.K.
(current Shinsei Financial Co., Ltd.)
Aug. 2008 Representative Director of Root F Co., Ltd. (current)
Jun. 2017 Director of T&D Holdings (current)

Reasons for selection

Mr. Naoki Ohgo has sophisticated expertise and extensive insight based on his experience in providing consulting services mainly in the financial field, as Representative Director of Root F Co., Ltd., capitalizing on his global perspective and high-level insight. He has been selected as an Outside Director because he is expected to serve his role as an Outside Director in making key management decisions and supervising the execution of operations from a perspective of protecting general shareholders by capitalizing on his knowledge and experience.

Significant concurrent positions

Representative Director of Root F Co., Ltd.
Director of Orient Corporation

Number of
the Company's
share held*
218

Attendance to
the Board of
Directors' meetings
16 / 16



Outside Director
SEIJI HIGAKI

Personal history

Apr. 1975 Joined The Daiwa Bank, Ltd.
Jun. 2007 Director, President and Representative Executive Officer of Resona Holdings, Inc.
Apr. 2009 Representative Director and Executive Officer of Resona Bank, Ltd.
Jun. 2011 Director and Vice Chairman of Resona Bank, Ltd.
Apr. 2013 Director of Resona Holdings, Inc.
Jun. 2013 Chairman of Resona Research Institute Co., Ltd.
Jun. 2018 Director of T&D Holdings (current)

Reasons for selection

Having served as Director, President and Representative Executive Officer of a bank holding company and Representative Director and Executive Officer of a bank, Mr. Seiji Higaki has a wealth of knowledge and experience in corporate management. He has been selected as an Outside Director because he is expected to serve his role as an Outside Director in making key management decisions and supervising the execution of operations from a perspective of protecting general shareholders by capitalizing on his knowledge and experience.

Number of
the Company's
share held*
0

Attendance to
the Board of
Directors' meetings
—



Director
KATSUhide TANAKA

Personal history

Apr. 1977 Joined Taiyo Life
Sep. 2000 General Manager of Policy Service, Conservation and Premium Receipts Department of Taiyo Life
Jul. 2001 Director of Taiyo Life
Mar. 2004 Managing Director of Taiyo Life
Jun. 2006 Director and Managing Executive Officer of Taiyo Life
Apr. 2007 Director and Senior Managing Executive Officer of Taiyo Life
May 2007 Director and Senior Managing Executive Officer, and Customer Service Executive General Manager of Taiyo Life
Feb. 2008 Director and Senior Managing Executive Officer, and Marketing Executive General Manager of Taiyo Life

Jun. 2008 Representative Director and Senior Managing 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)

Significant concurrent positions

Representative Director and President of Taiyo Life

Number of
the Company's
share held*
29,762

Attendance to
the Board of
Directors' meetings
21 / 21



Director
MINORU KUDO

Personal history

Apr. 1978 Joined Daido Life
Apr. 2005 General Manager of General Marketing Department of Daido Life
Jun. 2005 Director of Daido Life
Jun. 2006 Executive Officer of Daido Life
Apr. 2008 Managing Executive Officer of Daido Life
Jun. 2009 Director and Managing Executive Officer of Daido Life
Apr. 2011 Director and Senior Managing Executive Officer of Daido Life
Apr. 2014 Representative Director and Executive Vice President of Daido Life

Apr. 2015 Representative Director and President of Daido Life (current)
Jun. 2015 Director of T&D Holdings (current)

Significant concurrent positions

Representative Director and President of Daido Life
Corporate Auditor of EZAKI GLICO CO., LTD.

Number of
the Company's
share held*
37,881

Attendance to
the Board of
Directors' meetings
20 / 21



Director
MASAFUMI ITASAKA

Personal history

Jun. 2004 Joined Daido Life
Sep. 2007 General Manager of Business Development Department of T&D Financial Life
Apr. 2011 Executive Officer of T&D Financial Life
Apr. 2015 Managing Executive Officer of T&D Financial Life
Jun. 2015 Director and Managing Executive Officer of T&D Financial Life
Apr. 2017 Representative Director and President of T&D Financial Life (current)
Jun. 2017 Director of T&D Holdings (current)

Significant concurrent positions

Representative Director and President of T&D Financial Life

Number of
the Company's
share held*
3,436

Attendance to
the Board of
Directors' meetings
16 / 16

*As of June 27, 2018

Audit & Supervisory Board Members

 <p>Audit & Supervisory Board Member JUNICHI YANAI</p>	<p>Personal history</p> <ul style="list-style-type: none"> Apr. 1984 Joined Taiyo Life Apr. 2017 Deputy General Manager of General Affairs Department of Taiyo Life Jun. 2017 Audit & Supervisory Board Member of Taiyo Life (current), Audit & Supervisory Board Member of T&D Holdings (current) 	<p>Significant concurrent positions</p> <ul style="list-style-type: none"> Audit & Supervisory Board Member of Taiyo Life 	<p>Number of the Company's share held* 1,752</p> <p>Attendance to the Board of Directors' meetings 16 / 16</p> <p>Attendance to Audit & Supervisory Board meetings 10 / 10</p>
 <p>Audit & Supervisory Board Member YASUO TERAOKA</p>	<p>Personal history</p> <ul style="list-style-type: none"> Oct. 2000 Joined Daido Life Apr. 2011 General Manager of Market & Alternative Investment Department of Daido Life Apr. 2013 Executive Officer of Daido Life Apr. 2015 Executive Officer of T&D Holdings Jun. 2018 Audit & Supervisory Board Member of Daido Life (current), Audit & Supervisory Board Member of T&D Holdings (current) 	<p>Significant concurrent positions</p> <ul style="list-style-type: none"> Audit & Supervisory Board Member of Daido Life 	<p>Number of the Company's share held* 5,620</p> <p>Attendance to Board of Directors and Board of Audit & Supervisory meetings —</p>
 <p>Outside Audit & Supervisory Board Member SHIGEKAZU IWAI</p>	<p>Personal history</p> <ul style="list-style-type: none"> 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, Audit & Supervisory Board Member of T&D Holdings (current) 	<p>Reasons for selection</p> <p>Mr. Shigekazu Iwai has deep, special knowledge and extensive insight as an attorney at law, holding vital responsibilities in the legal community, including president of the Tokyo Bar Association and vice president of the Japan Federation of Bar Associations. He has been selected as an Outside Audit & Supervisory Board Member because he can be expected to capitalize on this knowledge and experience to serve his role as an Outside Audit & Supervisory Board Member in auditing the execution of duties of Directors from a perspective of protecting general shareholders.</p> <p>Significant concurrent positions</p> <ul style="list-style-type: none"> Attorney at Law 	<p>Number of the Company's share held* 2,607</p> <p>Attendance to the Board of Directors' meetings 21 / 21</p> <p>Attendance to Audit & Supervisory Board meetings 16 / 16</p>
 <p>Outside Audit & Supervisory Board Member YUICHI OZAWA</p>	<p>Personal history</p> <ul style="list-style-type: none"> 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 Jun. 2013 Audit & Supervisory Board Member of T&D Holdings (current) 	<p>Reasons for selection</p> <p>Mr. Yuichi Ozawa has deep, special knowledge and extensive insight as an attorney at law. He has been selected as an Outside Audit & Supervisory Board Member because he can be expected to capitalize on this knowledge and experience to continue to serve his role as an Outside Audit & Supervisory Board Member in auditing the execution of duties of Directors from a perspective of protecting general shareholders.</p> <p>Significant concurrent positions</p> <ul style="list-style-type: none"> Attorney at Law 	<p>Number of the Company's share held* 15,608</p> <p>Attendance to the Board of Directors' meetings 20 / 21</p> <p>Attendance to Audit & Supervisory Board meetings 16 / 16</p>

*As of June 27, 2018

IR Activities

T&D Holdings, Inc. (the “Company”) strives to promote investor relations (IR) activities based on the core principles of timeliness, fairness, and accuracy, with the aim of gathering the trust of and proper evaluation from shareholders, investors, and so forth.

In this section, we highlight the Company’s FY2017 major initiatives and outline its IR policy.

Major Initiatives

The Company conducts highly communicative investor relations (IR) activities, on the principle that its top management is responsible for all IR statements.

In addition to holding regular financial results meetings for institutional investors and analysts, the Company holds one-on-one on-site meetings with investors in Japan and overseas, and shares views obtained through dialog broadly with management and employees in the Group.

The Company also publishes corporate information in a timely manner through its IR site, and has been rated highly by external assessment organizations.



▲ Scenes from an IR meeting ▶
for institutional investors and analysts



Meetings held in FY2017

Financial results meetings for institutional investors and analysts	2
Financial results telephone conferences for institutional investors and analysts	4
Conferences sponsored by securities firms	5
One-on-one meetings	Total 192
Information meetings for individual investors and sales persons at securities firms	7

Evaluations by External Assessment Organizations

- **2017 Internet IR Award** (Daiwa Investor Relations Co. Ltd.)
Evaluated 3,735 listed companies*

Selected as one of 25 winners of the “Excellence Award”

- **2017 All Japanese Listed Companies’ Website Ranking**
(Nikko Investor Relations Co., Ltd.)
Evaluated all 3,713 listed companies*

Selected as one of 104 companies with grade AAA websites in the Overall ranking

*The number of evaluated companies differs depending on the timing of surveys, etc.

IR POLICY

1. Purpose of IR Activities

T&D Holdings, Inc. (the “Company”) 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 shareholders, investors, and so forth.

2. Basic Policy

The Company strives to clearly and continuously provide information on the T&D Life Group’s business environment and management strategies, financial condition, and performance to shareholders, investors, and so forth. The Company will disclose information stipulated in the Financial Instruments and Exchange Act, the Insurance Business Act, other related laws and ordinances, and the rules of the Tokyo Stock Exchange in a timely, appropriate and fair manner.

3. IR Information

The Company provides the following IR-related information in addition to statutory and mandatory reporting requirements (including financial statements, Annual Securities Report (“YUHO Report”), earnings releases, “TANSHIN Report,” and other timely information).

- Materials of 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 will be posted appropriately on the Company’s website, including pages for shareholders, investors, and so forth.

4. Structure Related to IR Activities

The Company’s top management is in principle responsible for all IR activities and statements. However, employees in charge of IR may act on behalf of the management depending on the nature of the IR event, its scale, or other factors.

The department in charge of IR handles all inquiries from shareholders, investors, and so forth concerning the Company’s IR activities.


5. Feedback to Management

Information gathered from shareholders, investors, and so forth through IR activities is fed back appropriately to the management and reported regularly to the Board of Directors and other committees.

6. Silent Period

In order to ensure fairness and prevent the unauthorized disclosure of financial information, the Company maintains a “Silent Period” in its IR activities for three weeks prior to the announcement of quarterly financial results. During this period, the Company refrains from commenting on financial results, and, in principle, from participating in IR events and meetings.

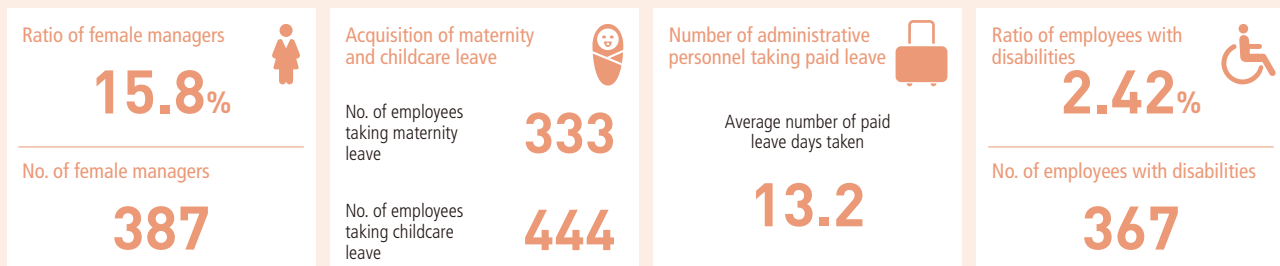
Society

➔ For more detail of our initiatives, please refer to our Corporate Responsibility Report 2018. 
<http://www.td-holdings.co.jp/en/csr/report/>

Respect for Human Rights

The T&D Life Group has been promoting to nurture a corporate culture where diverse personnel can feel job satisfaction and reach their potential.

POINT



*The total of the three life insurance companies (Taiyo Life, Daido Life, and T&D Financial Life), based on the actual numbers of fiscal 2017 (the ratio and the number of female managers are as of April 1, 2018).

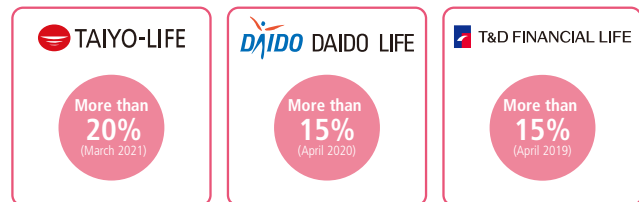
Initiatives to Support Active Roles for Female Employees

The three life insurance companies formulate action plans based on their respective business models, and disclose the goals for promoting the appointment of female managers.

 P.43, 44

➔ For the trend of the ratio of female managers and the number of female managers of the three life insurance companies in total, please see page 16 of this report.

Targets set for promoting female employees to management positions: Ratio of female managers (Achievement deadline)




Work-Life Balance Initiatives

T&D Life Group has been strengthening various efforts such as enhancing systems such as childcare leave and a reduction of total working hours, aimed at enabling employees to demonstrate their capabilities and improve their performance at work while at the same time fulfilling their responsibilities at home including housework, childcare and nursing care.

 P.46-48

Employment of People with Disabilities

We are working on the employment support in the entire Group in order to create a workplace environment comfortable to the employees with disabilities including introducing dedicated personal computers and considering commuting paths to improve comfortable workplace environment, and accepting a work adaptation supporter.  P.42

➔ For the trend of the ratio of employees with disabilities and the number of employees with disabilities of the three life insurance companies in total, please see page 16 of this report.

Reference: Status of taking leaves in the three life insurance companies

	FY2014	FY2015	FY2016	FY2017
Number of employees taking maternity leave (persons)	234	290	328	333
Number of employees eligible to take childcare leave (persons)	410	432	462	455
Number of employees taking childcare leave (persons)	366	406	450	444
Number of employees taking nursing care leave (persons)	6	8	12	20
Average number of paid leave days taken* (days)	11.0	11.8	12.4	13.2

* The number of administrative personnel of the three life insurance companies taking paid leave.


Improving Customer Satisfaction

In order to improve customer satisfaction, the three life insurance companies collect various customer feedback through daily sales activities, and incorporate the feedback for the development and quality improvement of products and services, as well as business improvement.

Initiatives to Respond to Customer Feedback

The three life insurance companies collect as much customer feedback as possible by setting up a number of customer contact points such as sales representatives, insurance agents, call center, and internet. They also work to proactively confirm our customers' satisfaction through regular, as well as ad hoc, surveys and other means.

In addition, the three life insurance companies have established dedicated departments and committees with external members in charge of customer satisfaction management. We developed a system ensuring customer

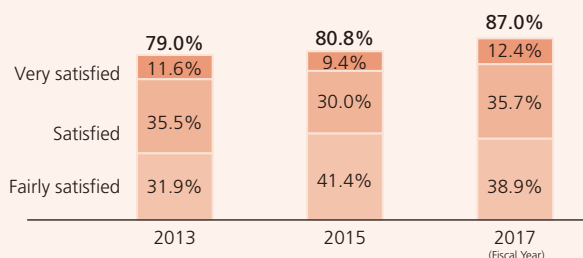
satisfaction at all stages of interaction with customers, from making contracts to payment of insurance claims and benefits, based on a clearly stated policy for customer satisfaction and specific guidelines for the handling of customer complaints.  P.37-39

Reference: Number of complaints received (fiscal 2017)

Taiyo Life	4,720
Daido Life	10,597
T&D Financial Life	1,219

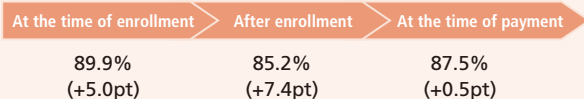
Reference: [Daido Life] Customer Surveys

Customer satisfaction level (corporate and individual business owners)



*The customer satisfaction level is a total of the top three items (Very satisfied, Satisfied, Fairly satisfied) out of seven levels: Very satisfied, Satisfied, Fairly satisfied, Cannot decide, Somewhat dissatisfied, Dissatisfied, and Very dissatisfied.

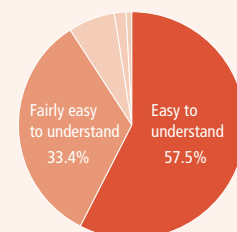
Satisfaction Level for Each Case



*The figures in the brackets is the comparison with fiscal 2015

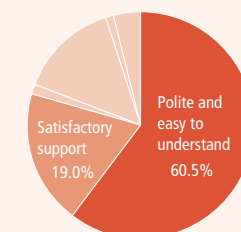
Reference: [T&D Financial Life] Customer Surveys

Q. How did you feel about the application form you filled out for the procedures?



Easy to understand 57.5%
 Fairly easy to understand 33.4%
 Some difficulties in understanding 6.7%
 Hard to understand 1.8%
 No answer 0.6%

Q. How did you feel about the quality of call handling by our Customer Service Center staff?



Polite and easy to understand 60.5%
 Satisfactory support 19.0%
 Some difficult explanation to understand 1.4%
 Unpleasant response 0.2%
 Have never phoned them 14.0%
 Others 1.1%
 No answer 3.8%

Regarding application forms, 90.9% of respondents said that they were "Easy to understand" or "Fairly easy to understand." Regarding the manner in which our Customer Service Center staff handle calls, 79.5% of respondents reported that they were "Polite and easy to understand" or provided "Satisfactory support."

Outline of survey


Methodology : The survey, together with documents for procedures, was sent to customers who purchased insurance policies through financial institutions, insurance shops, etc., and requested insurance conservation procedures.
 Survey period : January 17, 2018 to April 13, 2018 (Responses received by the end of April 27, 2018 were processed.)
 No. of Surveys sent: 2,029
 Valid responses: 622
 Response rate : 30.7%

Responsible Institutional Investor

The T&D Life Group operates the life insurance business as its core business, which is highly social and public in nature. Accordingly, we believe that it is one of our most fundamental obligations to implement responsible investment which contributes to the realization of a sustainable society.

Signing the Principles for Responsible Investment

The three companies: Taiyo Life, Daido Life, and T&D Asset Management have become signatories of the Principles for Responsible Investment (PRI)*, which are supported by the United Nations.

The status of each Group company's PRI initiatives is reported in PRI Transparency Report.  **P.63, 64**

<https://www.unpri.org/signatories/transparency-reports-2018/3350.article>


Signatory of:



*The Principles for Responsible Investment (PRI) are a code of conduct for the global financial industry that was proclaimed by Kofi Annan, the secretary-general of the United Nations in 2006. A commitment to these principles has been signed by over 1,700 financial institutions worldwide, and by 63 in Japan (as of July 2018).

The Principles for Responsible Institutional Investors (the Japanese Version of the Stewardship Code)

The three companies: Taiyo Life, Daido Life and T&D Asset Management, endorsed and expressed their commitment to the Principles for Responsible Institutional Investors (the Japanese version of the Stewardship Code) in May 2014.

Details of each company's basic policies, policy on exercising voting rights and status of exercising voting rights with respect to the Principles for Responsible Institutional Investors are disclosed on the companies' respective websites (Japanese).  **P.65-68**

Taiyo Life Insurance Company (Japanese only):

<https://www.taiyo-seimei.co.jp/company/activity/ssc.html>

Daido Life Insurance Company (Japanese only):

<https://www.daido-life.co.jp/company/csr/investor/ssc/>

T&D Asset Management Co., Ltd. (Japanese only):

<http://www.tdasset.co.jp/company/principles/stewardship/>

*Since T&D Financial Life does not operate with listed stocks, and does not plan to do so in the future, there are no plans to announce support for the Stewardship Code.

Reference: Status of exercising voting rights at Taiyo Life and Daido Life

Taiyo Life and Daido Life reject proposals in cases where problems are not rectified despite constructive dialogue, cases where shareholder value is highly likely to be impaired and in certain other circumstances.

The summary of results of voting rights exercised at general meetings of shareholders held by domestically listed companies between July 2017 and June 2018 are as follows.

Summary of exercising voting rights

Type	Taiyo Life					Daido Life				
	Approve	Reject	Abstain	Carte blanche	Total agenda items	Approve	Reject	Abstain	Carte blanche	Total agenda items
Company proposals	214	4	5	—	223	344	7	2	—	353
Shareholder proposals	—	8	—	—	8	—	29	—	—	29
Total	214	12	5	—	231	344	36	2	—	382

Contribution to Local Communities and Societies

The T&D Group aims for achieving sustained growth in step with society and fulfilling our public mission and meeting our social responsibilities. Our activities focus primarily on areas such as “improving health, medical care and welfare,” “developing a sound society” and “protecting the global environment.”  P.57-62

Improving Health, Medical Care and Welfare (Examples of Initiatives)

Blood Drives

The T&D Life Group cooperates with blood drives hosted by the Japanese Red Cross Tokyo Metropolitan Blood Center. The head office divisions (Tokyo) of each company held biannual blood drives in the summer and the winter, and executives and employees are encouraged to donate blood. In fiscal 2017, a total of 326 people in the Group donated blood during the drive.



Supporting Sports for People with Disabilities

Daido Life has been a special sponsor of the National Sports Festival for People with Disabilities every year since the first National Sports Games for the Mentally Handicapped (Yuaipic)* was held in 1992, when Daido Life celebrated its 90th anniversary.

*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.



Developing a Sound Society (Example of Initiatives)

Nationwide Clean Campaign

Taiyo Life is active in cleanup efforts nationwide, an activity that contributes to the local community. We have cleaned up the areas around our headquarters once a year since 1982. Since 2004, we have conducted cleanups around our branches nationwide as part of the “Nationwide Clean Campaign,” from as far north as Hokkaido to as far south as Okinawa.



Protecting the Global Environment (Example of Initiatives)

Forest Conservation Activities

Taiyo Life has established the Forests of Taiyo Life in Nasushiobara City (Tochigi Prefecture) and Takashima City (Shiga Prefecture) for the purpose of restoring forest resources and preserving greenery. In addition, “Chopsticks Project” has been implemented to promote the use of disposable chopsticks made from domestic timber derived from forest thinning and wood scraps.



ENVIRONMENT


Environment

➔ For more detail of our initiatives, please refer to our Corporate Responsibility Report 2018. 

📄 <http://www.td-holdings.co.jp/en/csr/report/>

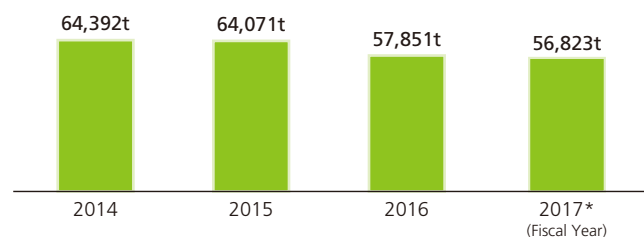
Protecting the Global Environment

Reduction of CO₂ Emissions

As more than 90% of the CO₂ emissions derive from electricity use at the T&D Life Group, we have set targets for electricity consumption and are taking actions to cut our energy consumption.  P.53

➔ For the trend of electricity consumption, please see page 16 of this report.

CO₂ Emissions



*indicates limited verification has been carried out by a third party.

Overview of Japan's Life Insurance Market

1. Market Scale

In fiscal 2017, life insurance companies in Japan* had a total of ¥33.7 trillion in income from insurance premiums. Although this amount had been growing gradually since fiscal 2002, it has declined over the past two years in a row.

* There are a total of 41 Japanese life insurance companies. (As of April 2, 2018)

2. Diversification of Customers' Life Insurance Needs

Changes in household composition due to such factors as the declining birthrate, aging population, and late marriage have decreased the need for large death benefits aimed at heads of households. Meanwhile, the needs for third sector insurance such as medical and nursing care products are increasing.

Policy Amount in Force and Number of Policies in Force

The policy amount in force, which is the total death benefit amount of individual insurance policies held by life insurance companies, was ¥852 trillion in fiscal 2017, down from the peak of ¥1,495 trillion in fiscal 1996.

Meanwhile, the number of policies in force, which is the number of individual insurance policies held by life insurance companies, was 173.02 million in fiscal 2017, marking the 10th straight year of increase.

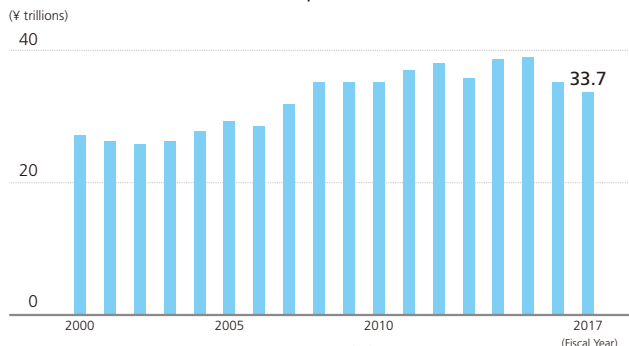
Numbers of Individual Policies in Force by Type

Turning to the breakdown of numbers of policies in force by type, the proportion of policies taken by medical and cancer insurance has increased significantly, from 20% in fiscal 2000 to 35% in fiscal 2017. The number of policies has also increased 2.7 times, from 22.79 million to 61.23 million, indicating increasing customer needs for third sector products.

Number of Individual Annuity Insurance Policies in Force

In fiscal 2017, there were 21.48 million individual annuity insurance policies in force. Full-scale sales of individual annuity insurance began in October 2002, when the ban on OTC sales at banks was lifted. Since then, the number of policies has increased steadily, in part due to increasing needs for stable financing after retirement.

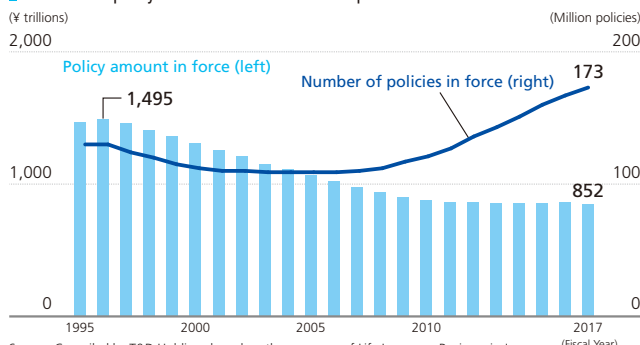
Trend in the income from insurance premiums



Source: Compiled by T&D Holdings based on the summary of Life Insurance Business in Japan published by the Life Insurance Association of Japan

Note: Excluding the numerical value of former postal life insurance up to fiscal 2007.

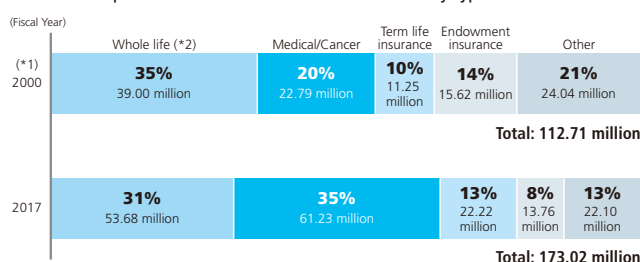
Trend in the policy amount and the number of policies in force for individual insurance



Source: Compiled by T&D Holdings based on the summary of Life Insurance Business in Japan published by the Life Insurance Association of Japan

Note: Excluding the numerical value of former postal life insurance up to fiscal 2007.

Number of policies in force for individual insurance by type

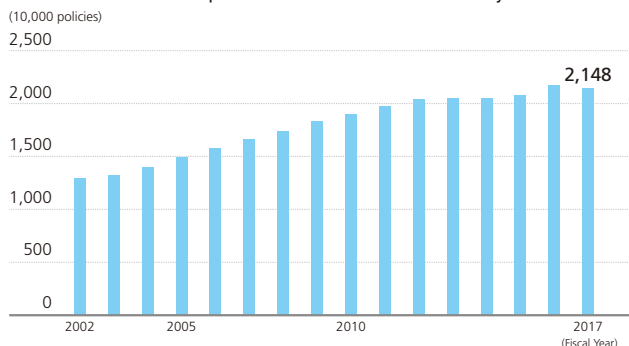


Source: Compiled by T&D Holdings based on the summary of Life Insurance Business in Japan published by the Life Insurance Association of Japan

*1 Excluding the numerical value for former postal life insurance in fiscal 2000.

*2 Whole life insurance is the sum of whole life insurance, fixed-term whole life insurance and variable interest-type savings-type whole life insurance.

Trend in the number of policies in force for individual annuity insurance

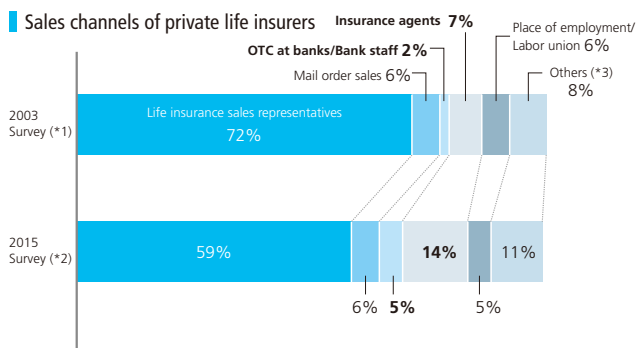


Source: Compiled by T&D Holdings based on the summary of Life Insurance Business in Japan published by the Life Insurance Association of Japan

Note: Excluding the numerical value of former postal life insurance up to fiscal 2007.

3. Diversification of Sales Channels

The sales channels of life insurance companies are growing more diverse with, in addition to the in-house sales representative channel, a recently increasing presence of OTC insurance sales at banks, and agent channels including insurance shops.

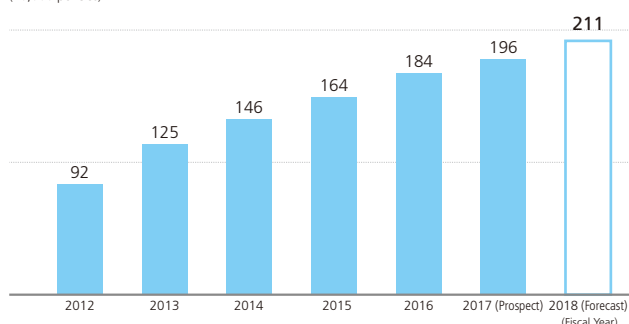


Source: Compiled by T&D Holdings based on the results of the Corporation Sample Survey on Life Insurance (FY2003 and FY2015) of Japan Institute of Life Insurance.

*1 Policies taken out during 1998-2003. *2 Policies taken out during 2010-2015.

*3 Including those policies through indistinct channels.

Trend in the number of new contracts at insurance shops *4 (10,000 policies)



Source: Survey on Insurance Shop Market 2018, Yano Research Institute Ltd.

*4 The number of new contracts at independent insurance agents involved in the business cooperation with several insurance companies with insurance shops. Prospect and forecast values as of June 2018.

Reference: Types of Life Insurance

There are three main types of life insurance: death insurance, pure endowment insurance, and accident and sickness insurance.

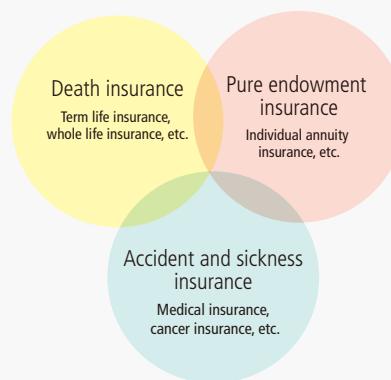
Death insurance	Insurance benefits are paid when the insured individual dies. Typical products include term life insurance and whole life insurance.
Pure endowment insurance	Insurance benefits are paid when the insured individual remains alive after a certain period of time. A typical product is individual annuity insurance.
Accident and sickness insurance	Insurance benefits are paid when the insured individual becomes ill, falls into certain conditions due to diseases or accidents, or dies from an accident. Typical products include medical insurance and cancer insurance.

These insurance are sold not only as single products but in various combinations in accordance with customer needs and so forth.

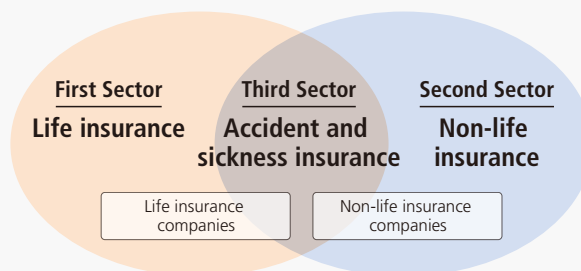
In the Japanese insurance industry, insurance related to a person's life and death are called "First Sector" insurance and only life insurance companies are allowed to sell these products. In contrast, insurance which compensate damages caused by a fortuitous accident are called "Second Sector" insurance and only non-life insurance companies are allowed to sell these products. Death insurance and pure endowment insurance mentioned above are included in the First Sector.

Accident and sickness insurance do not belong to either of the First Sector or Second Sector insurance categories, and are called "Third Sector" insurance. Both life insurance companies and non-life insurance companies can sell Third Sector products. A typical Third Sector insurance product sold by non-life insurance companies is "accident insurance," which insures against injuries.

Types of life insurance



Types of insurance



Business Risks and Other Risks

The following are risks related to the business of T&D Holdings, Inc. (the “Company”) and the T&D Life Group (the “Group”) and other risks that could significantly affect the investment decisions of investors.

Forward-looking statements in this section reflect judgments as of the submission date of the Annual Securities Report (“YUHO Report”).

Further, in this section “the three life insurance companies” refers to Taiyo Life Insurance Company, Daido Life Insurance Company, and T&D Financial Life Insurance Company for which the Company 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 the Company owns directly.

I. RISKS AS A HOLDING COMPANY

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

The Group is focused on the life insurance business and is heavily reliant on the earnings of its three life insurance companies.

Therefore, 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 Group’s earnings and financial condition could be adversely affected.

2. Risk Related to Dividend Income

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

Under certain circumstances, the amount of dividends which 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 the Company, and the Company may be unable to pay dividends.

3. Risk Related to Expanding Scope of Operations

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

4. Risk Related to Regulatory Changes

The Company and the Group as a whole are subject to regulation under the Insurance Business Act and oversight by the Financial Services Agency (FSA). Furthermore, the Company and the Group conduct operations under restrictions of other regulations, including the impact of laws, regulations, business customs, interpretation, and fiscal policies. For this reason, future changes in any of the associated regulations, and/or circumstances resulting from such changes, could adversely affect the Group’s earnings and financial condition.

II. 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 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 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 loss of the value of assets (including off-balance sheet assets) as a result of a deterioration in the financial positions of obligors and other factors.
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 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 directly owned subsidiaries 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 an employee neglecting to perform operations correctly and/or causing accidents, performing illegal acts, leaking information, etc.
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, human rights, etc.
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 information such as unfavorable criticism/credit uneasiness of the Group or the life insurance industry among policyholders, investors, media, Internet or the public at large which causes situations such as a decline in share price or negatively affects the earnings of Group companies adversely.
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 Group's main business is life insurance business. The three life insurance companies underwrite life insurance based on life insurance business licenses. Risks particular to the three life insurance companies are as shown below. The materialization of these risks could affect the business results or financial position of the Company and the 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 act for 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 which 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

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 premium rates*	The regulations of the Insurance Business Act stipulate that in principle, insurance products and their premium rates require the approval of the commissioner of the FSA. However, the Ordinance for Enforcement of the Insurance Business Act stipulates certain products and premium rates 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.

* Premium rates: insurance premiums as a percentage of the basic policy amount

Further, 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 against the three life insurance companies, any revision in statutory regulations or changes in the regulatory agency's interpretation or application of them occur, it could affect the business results or the financial position of the Company and the 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, solvency margin protects against risk that exceeds normal circumstances. A solvency margin ratio is calculated as the total amount of solvency margin (equity, reserve for price

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. Going forward, 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 Group adversely.

c. Regulation and Oversight under the Insurance Business Act

To enable the regulatory agency to grasp the actual condition of insurance companies and implement supervisory measures, insurance companies are subject to the regulations below under the Insurance Business Act.

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%.

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 valuation), 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.

2) Asset Management Regulations for Life Insurance Companies

a. Characteristics of Life Insurance Companies' Liabilities and Capital

For life insurance companies, borrowed capital which is centered on policy reserves, accounts for a much larger portion of capital than equity capital, which comprises capital, retained earnings, and others.

Borrowed capital mainly comprises policy reserves, which include policy reserve, reserve for policyholder dividends, and reserve for outstanding claims in which the policy reserve accounts for the majority of 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 are highly public in nature.

Therefore, the management of life insurance companies' capital require the pursuit of safety, profitability, liquidity, and publicness.

b. Regulations for Management of Life Insurance Funds

Changes in the following regulations for the management of life insurance funds or changes in the regulatory agency's interpretations/applications of such regulations could adversely affect the business results or financial position of the Group.

i. The necessity and characteristics of investment regulations

Regulating insurance companies' investment of life insurance funds in order to ensure the ability of insurance companies to pay insurance claims and protect the interests of policyholders are deemed necessary.

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.

ii. Asset management of the separate account

The purpose of the separate account is to return investment

gains directly to policyholders. Insurance companies manage this account separately from their other financial assets in the general account.

Regarding separate account, to ensure insurance companies can make payments to policyholders as needed, the assets that insurance companies manage in the separate account need to be convertible to cash. 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. On the other hand, their expenditure mainly comprises the payment of insurance claims, annuities, and insurance benefits as well as investment expenses such as losses on sales of securities, and operating expenses that include expenses for policy maintenance and solicitation.

i. Structure of the premium

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

Further, life insurance companies can incur losses if operating expense rates exceed assumed operating expense rates due to inflation.

Basic calculation rates	Details
Assumed mortality rate	Based on statistics on past trends, life insurance companies project the number of deaths by gender, age, etc., 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.
Assumed investment yield	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.
Assumed business expense rate	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 business 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 operation. 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. The structure of policyholder dividends

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, assumed investment yield, and assumed 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. Profits and Losses of Life Insurance Companies

Generally, companies classify their statement of operation into operating profit or loss and non-operating profit or loss. However, life insurance companies classify their statement of operation into insurance-related profit 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 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 and other payments, such as insurance claims/surrender 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 insurance claims, ordinary profit of life insurance companies is very susceptible to fluctuations in the investment environment, such as stock markets.

c. Breakdown of Ordinary Profit (Core Profit)

Changes in the investment environment, including fluctuations in conditions of 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 has 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 statement of operation. 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 Group.

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 structure of the premium, please see the aforementioned “a. Characteristics of Life Insurance Accounting, i. structure of the premium”). 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 and be in a situation of so called “negative spreads.” The occurrence 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 Group adversely.

4) Contributions to the Life Insurance Policyholders

Protection Corporation of Japan

The Life Insurance Policyholders Protection Corporation of Japan (“LIPPCJ”) 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 LIPPCJ 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 LIPPCJ to a failed insurer is furnished by contributions from members. However, until the end of March 31, 2022, the government may provide the LIPPCJ with additional funds if a life insurance company bankruptcy occurs and the funds needed to cover policyholders are in excess of the funds contributed by members. Members have been making annual contributions for the bankruptcy procedures to date in accordance with standards specified in the LIPPCJ's Articles of Incorporation, which is recorded as operating expense in the contributed fiscal year.

The 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 LIPPCJ would change accordingly. As mentioned above, the Group's contributions could rise if a life insurance company files for bankruptcy and requires financial support from the LIPPCJ.

5) Deferred Tax Assets

Based on generally accepted accounting principles and practices in Japan, for each taxable entity the 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. Since 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 Group's estimate of future taxable income could lead the Group to conclude that the recovery of all or some of its deferred tax assets is difficult. In such a case, the 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. As a result, this may 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, 2018, including the Group's three life insurance companies, there were 41 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 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 Group.

b. Trends in the Life Insurance Industry

New policy amount and 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 entry of insurance companies with new channels, various forms of industry consolidation and strategic alliances have occurred which may lead to further development of industry consolidation in the domestic market going forward. In addition, as seen from the full deregulation of OTC sales at banks, the life insurance industry is expected to see further liberalization and deregulation going forward. As a result, there is expected to be further escalation in competition on life insurance product prices and services, which could adversely affect the 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 Group's earnings and financial condition.

3) The Group's Business Policy

The Group holds the three life insurance companies: Taiyo Life, which has strength in 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 independent insurance agents, under a holding company. Each company has different business strategies, markets, and products under a unique business policy.

As a result, each of the three life insurance companies faces particular risks which are detailed as follows. Materialization of these risks could adversely affect the business results or financial position of the 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. The company conducts sales activities primarily in the household market. Consequently, most of the company's policyholders are housewives. Women account for approximately 70% of the company's new policyholders for individual insurance and individual annuity policies.

Removal of the regulation of member policies* would enable insurance companies' insurance agent subsidiaries to sell life insurance products to their officers and employees. As a result, the worksite market would see a shift in sales channel from sales representatives channel to sales agent channel. This could reduce the number of sales contacts for the sales representatives of other life insurance companies which center on promoting sales in the worksite market. These 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 the company.

Further, in the case of difficulty maintaining the efficiency of a sales system based on door-to-door sales such as future law revisions which would strengthen the regulation of door-to-door sales, the company's business results or financial position could be adversely affected.

* Regulation of member policies: the Insurance Business Act and the Ordinance for Enforcement of the Insurance Business Act prohibit life insurance sales agents 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, 2018, the company had 8,942 sales representatives. Sales representatives accounted for approximately 89% of the company's new policy amount (individual insurance and individual annuity insurance) for fiscal 2017. 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 OTC sales at banks, insurance shop agent sales or other factors. The company already sells products in the sales agent channel, including OTC sales at banks. However, a slow response from the company to further changes or a dramatic decline in the superiority of the sales representatives channel in insurance sales compared to other channels could affect its

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 and medical/nursing care insurance.

In the individual household market, a customer group which is aging rapidly, the proportion of the company's main customer base—women, middle-aged/elderly—are expected to remain at a high level. Therefore, 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 individual household market, or experiences a sales slump because competitive superiority is less than expected, its business results or financial position could be adversely affected.

b. Daido Life

i. Market

Daido Life conducts sales activities focused on the SME market. Regarding the breakdown of the new policy amount*¹ for fiscal 2017, policies from the SME related organizations*² accounted for 90.0% and other policies accounted for 10.0%. SMEs are particularly susceptible to changes in the business climate. Therefore, 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 its business results or financial position.

*1. The amount is calculated by adding critical illness insurance amount of non-participating insurance for critical illness, disability income insurance amount of non-participating disability income insurance, nursing care insurance amount of non-participating whole life nursing care insurance and non-participating nursing-care term insurance to the new policy amount of individual insurance, individual annuity insurance, and group insurance policies.

*2. The total of individual insurance, individual annuity insurance, non-participating insurance for critical illnesses, non-participating disability income insurance, non-participating whole life nursing care insurance, and non-participating nursing-care term insurance marketed through franchise groups, and group insurance policies.

ii. Sales of partner-specific products

Since 1971, Daido Life has underwritten the comprehensive insurance plan, *Keieisha Ogata Sogo Hoshō Seido* of the National Federation of Corporate Taxpayers Associations (NFCTA, known as *Hojinkai*), and the Tax Payment Associations (TPA, known as *Nozei-kyokai*). Further, in 1976, the company began underwriting the *TKC Kigyo Boei Seido* for the TKC National Federation where the company sells insurance products to member companies or companies which the member tax accountants/accountants serve as an advisor. These sales of partner-specific products are the core of the company's sales initiatives. The entry of competitors through tie-ups with the abovementioned organizations or these organizations' halting of recommendations of the

company's products could adversely affect its business results or financial position.

iii. Sales system

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

• In-house sales representative channel

The company's in-house sales representatives sell products mainly to companies that are members of NFCTA and TPA.

As of March 31, 2018, the company had 3,714 in-house sales representatives. The company 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 a fall in productivity per sales representative could adversely affect its business results or financial position.

• Agent channel

As of March 31, 2018, the company had 13,992 agents.

The company continually improves the competitiveness of its products and enhances its support capabilities, including upgrading the skills of staffs who support agents. However, agents that meet certain conditions handle the products of multiple life insurance companies. The handling of further more life insurance companies by such agents or a decrease in the handling of the company's products among agents could adversely affect its business results or financial position.

iv. Products

Daido Life's main product has traditionally been individual term life insurance. As of March 31, 2018, individual term life insurance accounted for 81.1% of the company's policy amount in force*.

In the individual term life insurance business area, the company has taken steps to further strengthen the competitiveness of its 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 its business results or financial position.

Further, under the current income tax laws, corporations are allowed to deduct as a business expense for 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 decrease the company's new policies or heighten the company's surrender rates, which could adversely affect its business results or financial position.

* The amount is calculated by adding critical illness insurance amount of non-participating insurance for critical illness, disability income insurance amount of non-participating disability income insurance, nursing care insurance amount of non-participating whole life nursing care insurance and non-participating nursing-care term insurance to the policy amount in force of individual insurance and individual annuity insurance.

c. T&D Financial Life

i. Market

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

If changes such as the investment environment cause 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, 2018, the company had concluded agent agreements with 142 financial institutions.

Going forward, if the competition in pricing/services intensifies with competitors, or the number of agents handling the company's products decreases due to delays in the introduction of the company's new products, etc., in OTC sales in the financial institutions and insurance shop agents area, the company's business results or financial position could be adversely affected.

iii. Products

T&D Financial Life's main products are single-premium whole life insurance, single-premium individual annuity insurance, and level-premium income protection insurance. The company differentiates insurance benefits from those of the competitors and develops products based on consumer demand. If the competition intensifies with other companies, or a demand for single-premium whole life insurance, single-premium individual annuity insurance, and level-premium income protection insurance declines and results in a slump in sales and a significant decrease in the policy amount in force going forward, or the balance of minimum guarantee of individual variable annuities outstanding deteriorates due to fluctuations in financial markets, the company's business results or financial position could be adversely affected.

(3) Investment Risk

1) Investment Risk of the General Account and the Separate Account

Life insurance companies have two different types of accounts which are the general account and the separate account. Life insurance companies use the general account 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. On the other hand, with the separate account, investment results are directly reflected in the funds of the policyholders. Therefore, 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 an occurrence in unrealized losses due to a decline in the fair value of stocks etc., in the Group's general account could adversely affect the Group's business results or financial position.

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

A decrease in unrealized gains or an occurrence in unrealized losses due to higher interest rates or a decline in the fair value of yen-denominated bonds in the Group's general account could adversely affect the Group's business results or financial position.

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

A decrease in unrealized gains or an occurrence in unrealized losses on foreign currency-denominated securities in the Group's general account due to fluctuation in the foreign currency market (yen appreciation/foreign currency depreciation) could adversely affect the Group's business results or financial position. For information on the fair value of securities (securities with fair value which are not trading securities) in the general account, please see Notes to Consolidated Financial Statements, Note 23 Securities on page 124.

3) Overview of Credit Risk

In regard to loans, bonds and suchlike, incurring losses due to a decline in value or a complete eradication of the value of assets as a result of a deterioration of the financial positions of obligors could adversely affect the Group's business results or financial position. For information on loans to bankrupt companies, past due loans, loans overdue for three months or more, and restructured loans, please see Notes to Consolidated Financial Statements, Note 3 Loans on page 109.

4) Overview of Real Estate Investment Risk

Regarding the real estate owned by the Group, losses incurred by a decline in revenue derived from real estate due to factors such as fluctuations in lease fees of real estate held for investment purposes, or a decline in the value of real estate itself caused by a change in market conditions could adversely affect the Group's business results or financial position. For information on the fair value of real estate held for investment purposes, please see Notes to Consolidated Financial Statements, Note 29 Real Estate for Rent on page 143.

(4) Ratings

Rating agencies rate the ability of life insurance companies to pay insurance claims. A downgrade 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 is considering the downgrade of the Group's rating—could lead to a decrease in new policies or a higher surrender rate. Such events could adversely affect the Group's business results or financial position.

3. Risk Related to Other Businesses

(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 Type II Financial Instruments Business, its investment management business, and its investment advice and agency business.

The management fee and investment management entrustment fee which 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 fluctuations in market prices or an increase in cancellation of contracts could adversely affect the 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 going forward. However, in order to expand or support the subsidiary's business, the Company may have to make additional investments in the subsidiary or deploy other management resources. 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 an infectious disease among pets could adversely affect the Group's business results or financial position.

4. Other Risks

(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 of the subsidiaries has established 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 individual insurance/corporate insurance operations and asset management operations, and their reliance on computer systems

is increasing.

The Group strives to ensure the stable operation of computer systems by implementing security measures such as firewalls and antivirus software, in order to prevent unauthorized access to and use of these systems.

Given this situation, the Group is further strengthening its management of system risk. However, a significant malfunction of such systems would impede OTC operations at branches and asset management operations 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 events could adversely affect the 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 officers and employees about these basic compliance policies and compliance standards. Further, the Company and its directly owned subsidiaries seek rigorous compliance by establishing and implementing compliance programs as action plans for each fiscal year. In addition, the Company and its directly owned 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 manuals are used as guides for personnel and as training materials. Furthermore, the Group has established the T&D Life Group Helpline as an internal reporting system which accepts reports such as compliance violations from officers and employees within the Group, working on an early detection and prevention.

If there is a violations of laws and statutory regulations, fraudulent acts, or other inappropriate acts by T&D Life Group officers and employees going forward despite these initiatives, and various issues such as administrative measures or filing of lawsuits caused by the violations of laws and regulations occur, the Group's public credibility, reputation, business results, or financial position could be adversely affected.

(3) Handling of Personal Information

Based on policies and regulations for the protection of personal information, directly owned subsidiaries handle the acquisition, usage/providing, storing/transferring, and disposing personal information with utmost care.

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 business involves handling individuals' medical and/or health-related information.

In response to the Act on the Protection of Personal Information and the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure, which is a special act to the former act, 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 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 Group's public credibility, reputation, business results, and financial position.

(4) Catastrophe Risk

The Group's insurance companies are exposed to the risk of payments of large payouts in the event of a catastrophe such as an earthquake, a tsunami or a terrorist act in a heavily populated area or across a wide range of areas, or in the event of a widespread outbreak of an infectious disease such as influenza. While the Group's 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.

The Group has formulated a group-common basic policy regarding emergency measure system in the event of a catastrophe and has made effort to fully disseminate within the Group. However, a situation due to a catastrophe that impacts for a long period of time and a wide range of areas which exceeds predictions could adversely affect the Group's business results or financial position.

Status of Stock Holdings

I. Taiyo Life Insurance Company — the subsidiary with the largest holding of stocks

1. Investments in stocks for which the holding purpose is other than purely investment purpose

Number of companies	43
Total of balance sheet amount	¥ 262,408 million

2. Holding classification, stock, number of shares, balance sheet amount, and holding purpose of investments in stocks for which the holding purpose is other than purely investment purpose

Specified Investment Shares

Year ended March 31, 2017

Stock	Number of shares	Balance sheet amount ¥ millions	Holding purpose
Komatsu Ltd.	34,000,716	¥ 98,653	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.
Keio Corporation	29,310,161	25,851	
Mitsubishi Electric Corporation	14,350,000	22,916	
Daiwa Securities Group Inc.	31,140,000	21,109	
Mitsui Fudosan Co., Ltd.	8,096,575	19,221	
Tsubakimoto Chain Co.	17,798,316	16,516	
Mitsubishi Chemical Holdings Corporation	18,838,372	16,227	
Mitsubishi Estate Co., Ltd.	7,700,000	15,631	
Tokyu Corporation	17,133,118	13,500	
SHIMADZU CORPORATION	7,411,520	13,110	
Sompo Holdings, Inc.	2,661,820	10,857	
Mitsubishi UFJ Financial Group, Inc.	15,220,718	10,649	
mitsui & CO., LTD.	5,660,800	9,128	
OBAYASHI CORPORATION	5,486,400	5,711	
KURARAY CO., LTD.	3,282,010	5,540	
TS TECH Co., Ltd.	1,400,000	4,188	
ONO PHARMACEUTICAL CO., LTD.	1,755,000	4,044	
RAITO KOGYO CO., LTD.	2,734,500	3,095	
Electric Power Development Co., Ltd. (J-POWER)	1,085,040	2,826	
Kurimoto, Ltd.	1,209,075	2,659	
Mitsubishi Tanabe Pharma Corporation	1,085,000	2,515	
Tsukishima Kikai Co., Ltd.	1,885,000	2,214	
Hokuetsu Kishu Paper Co., Ltd.	2,817,987	2,186	
Sotetsu Holdings, Inc.	3,800,000	1,964	
Showa Denko K.K.	700,000	1,389	
Tsubakimoto Kogyo Co., Ltd.	2,869,027	1,173	
Taisho Ltd.	422,029	1,149	
TOPPAN PRINTING CO., LTD.	949,088	1,077	
Takasago Thermal Engineering Co., Ltd.	678,347	1,062	
Advance Create Co., Ltd.	365,500	698	

Regarded as Holding Shares

Not applicable.

Year ended March 31, 2018

Stock	Number of shares	Balance sheet amount ¥ millions	Holding purpose
Keio Corporation	5,862,032	¥ 26,642	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 Electric Corporation	14,350,000	24,416	
SHIMADZU CORPORATION	7,411,520	22,175	
Daiwa Securities Group Inc.	31,140,000	21,134	
Mitsui Fudosan Co., Ltd.	8,096,575	20,901	
Mitsubishi Chemical Holdings Corporation	18,838,372	19,412	
Tsubakimoto Chain Co.	17,798,316	15,413	
Tokyu Corporation	8,566,559	14,203	
Mitsubishi Estate Co., Ltd.	7,700,000	13,848	
mitsui & CO., LTD.	7,160,800	13,050	
Sompo Holdings, Inc.	2,661,820	11,397	
Mitsubishi UFJ Financial Group, Inc.	15,220,718	10,608	
OBAYASHI CORPORATION	5,486,400	6,386	
KURARAY CO., LTD.	3,282,010	5,933	
TS TECH Co., Ltd.	1,400,000	5,901	
Showa Denko K.K.	700,000	3,150	
RAITO KOGYO CO., LTD.	2,734,500	3,002	
Electric Power Development Co., Ltd. (J-POWER)	1,085,040	2,910	
Tsukishima Kikai Co., Ltd.	1,885,000	2,835	
Kurimoto, Ltd.	1,209,075	2,447	
Sotetsu Holdings, Inc.	760,000	2,149	
Tsubakimoto Kogyo Co., Ltd.	573,805	1,968	
Hokuetsu Kishu Paper Co., Ltd.	2,817,987	1,933	
Taikisha Ltd.	422,029	1,468	
Takasago Thermal Engineering Co., Ltd.	678,347	1,325	
TOPPAN PRINTING CO., LTD.	949,088	828	
Advance Create Co., Ltd.	365,500	724	
Nisshin Steel Co., Ltd.	457,500	581	
Daiwa Motor Transportation Co., Ltd.	375,000	506	
Concordia Financial Group, Ltd.	705,869	414	

Regarded as Holding Shares

Not applicable.

3. Stocks for which the holding purpose is purely investment purpose

	Fiscal 2016 ¥ millions	Fiscal 2017 ¥ millions				
	Total of balance sheet amount	Total of balance sheet amount	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and balance sheet amount
Unlisted stocks	¥ 19,185	¥ 19,415	¥ 83	¥ 4	¥ —	¥ 2,009
Stocks other than unlisted stocks	114,365	224,021	5,375	19,411	—	80,663

4. Change in investment purpose during fiscal 2017

Stocks of which the holding purpose has been changed from other than purely investment purpose to purely investment purpose

Stock	Number of shares	Balance sheet amount (¥ millions)
Komatsu Ltd.	34,000,716	¥ 120,600
ONO PHARMACEUTICAL CO., LTD.	1,170,000	3,853
Mitsubishi Tanabe Pharma Corporation	1,085,000	2,256

II. Daido Life Insurance Company — the subsidiary with the second largest holding of stocks

1. Investments in stocks for which the holding purpose is other than purely investment purpose

Number of companies	189
Total of balance sheet amount	¥ 313,144 million

2. Holding classification, stock, number of shares, balance sheet amount, and holding purpose of investments in stocks for which the holding purpose is other than purely investment purpose

Specified Investment Shares

Year ended March 31, 2017

Stock	Number of shares	Balance sheet amount ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥ 44,898	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	20,650	
EZAKI GLICO CO., LTD.	3,500,400	18,902	
Kansai Paint Co., Ltd.	7,607,000	17,975	
Resona Holdings, Inc.	28,590,000	17,093	
Daiwa House Industry Co., Ltd.	5,000,000	15,980	
ONO PHARMACEUTICAL CO., LTD.	6,549,500	15,093	
Astellas Pharma Inc.	9,455,500	13,861	
NURNBERGER BETEIL NPV B (REGD) (VINKULIERT)	1,552,936	12,463	
FUJI MACHINE MFG. CO., LTD.	6,684,000	9,745	
KONICA MINOLTA, INC.	9,040,518	9,004	
TKC Corporation	2,569,046	8,169	
Mitsubishi Pencil Co., Ltd.	1,172,000	6,539	
OKASAN SECURITIES GROUP INC.	8,660,000	5,880	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	5,193	
The Kansai Electric Power Company, Incorporated	3,656,550	4,998	
THE SHIZUOKA BANK, LTD.	3,824,000	3,464	
The Daishi Bank, Ltd.	7,056,000	3,111	
MEISEI INDUSTRIAL CO., LTD.	4,032,700	2,584	
TEIJIN LIMITED	1,225,000	2,571	
MOS FOOD SERVICES, INC.	790,760	2,566	
Sekisui House, Ltd.	1,400,000	2,563	
GLORY LTD.	700,000	2,555	
Sompo Holdings, Inc.	618,525	2,522	
Temp Holdings Co., Ltd.	1,200,000	2,488	
Tsukishima Kikai Co., Ltd.	2,115,700	2,485	
Mitsui Fudosan Co., Ltd.	1,000,000	2,374	
Keihan Holdings Co., Ltd.	3,169,000	2,158	

Regarded as Holding Shares

Not applicable.

Year ended March 31, 2018

Stock	Number of shares	Balance sheet amount ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥ 44,725	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	27,017	
ONO PHARMACEUTICAL CO., LTD.	6,549,500	21,574	
Daiwa House Industry Co., Ltd.	5,000,000	20,500	
EZAKI GLICO CO., LTD.	3,500,400	19,497	
Kansai Paint Co., Ltd.	7,607,000	18,850	
Resona Holdings, Inc.	28,590,000	16,067	
NURNBERGER BETEIL NPV B (REGD) (VINKULIERT)	1,552,936	14,492	
FUJI MACHINE MFG. CO., LTD.	6,684,000	13,929	
TKC Corporation	2,569,046	11,123	
KONICA MINOLTA, INC.	9,040,518	8,244	
Mitsubishi Pencil Co., Ltd.	2,344,000	5,620	
OKASAN SECURITIES GROUP INC.	8,660,000	5,507	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	5,347	
The Kansai Electric Power Company, Incorporated	3,656,550	4,998	
THE SHIZUOKA BANK, LTD.	3,824,000	3,846	
PERSOL HOLDINGS CO., LTD.	1,200,000	3,714	
The Daishi Bank, Ltd.	705,600	3,316	
Tsukishima Kikai Co., Ltd.	2,115,700	3,182	
MEISEI INDUSTRIAL CO., LTD.	4,032,700	2,915	
Sekisui House, Ltd.	1,400,000	2,718	
GLORY LTD.	700,000	2,656	
Sompo Holdings, Inc.	618,525	2,648	
Mitsui Fudosan Co., Ltd.	1,000,000	2,581	
MOS FOOD SERVICES, INC.	790,760	2,506	
TEIJIN LIMITED	1,225,000	2,451	
Keihan Holdings Co., Ltd.	633,800	2,078	

Regarded as Holding Shares

Not applicable.

3. Stocks for which the holding purpose is purely investment purpose

	Fiscal 2016 ¥ millions	Fiscal 2017 ¥ millions				
	Total of balance sheet amount	Total of balance sheet amount	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and balance sheet amount
Unlisted stocks	¥ 10,597	¥ 9,164	¥ 637	¥ —	¥ 5	¥ 228
Stocks other than unlisted stocks	24,596	35,818	470	64	—	9,306

III. T&D Holdings, Inc.

1. Investments in stocks for which the holding purpose is other than purely investment purpose

Not applicable.

2. Holding classification, stock, number of shares, balance sheet amount, and holding purpose of investments in stocks for which the holding purpose is other than purely investment purpose

Not applicable.

3. Stocks for which the holding purpose is purely investment purpose

Not applicable.

Glossary

A

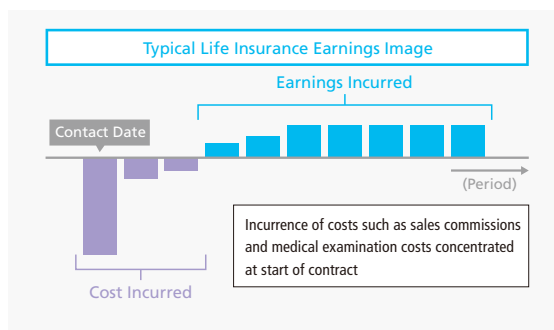
Annualized premiums	An adjusted figure for premiums paid using monthly, annual, or lump-sum payment methods showing total premiums paid on an annual basis.
Assumed business expense rate	One of the forecast rates used in the calculation of insurance premiums. It is the rate used to include business expenses 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.</p> <p>Contingency reserve can be classified into:</p> <ul style="list-style-type: none"> 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
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)	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.
ESG investment	Selective investments focused on companies that pay adequate attention to the environmental, social and governance factors.
ESR (Economic Solvency Ratio)	An indicator of capital adequacy based on economic value, calculated by dividing net assets based on economic value (surplus), by the risk volume (economic capital (EC)) quantified using the internal model. An ESR of 100% means that capital and risk are equal. The higher the ESR, the greater the amount of capital secured 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.
EV (Embedded Value)	<p>Generally, life insurance policies extend over significantly long durations, resulting in a time gap between the recognition of revenues and expenses. EV is a concept used for measuring the corporate value of a life insurance company in consideration of this gap. EV (embedded value) refers to the amount of net assets after tax, which is considered to be attributable to shareholders, and is the sum of adjusted net assets calculated based on balance sheets, etc., and the value of policies in force calculated based on policies in force.</p> <p><Earnings and costs of life insurance></p> <p>From the perspective of financial accounting, a life insurance company successfully acquiring new business in a year apparently shows a decrease in profit for the corresponding period, due to a heavier burden of initial costs, such as sales commissions. From the perspective of insurance earnings, there is a constant inflow of premiums each year, generating earnings progressively as time proceeds and accumulating the earnings over a longer period of time. As a result, there is a gap between the recognition of Earnings and costs.</p>



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.
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J

Japan's Corporate Governance Code	Guidelines for corporate governance drafted by the Financial Services Agency and the Tokyo Stock Exchange, which indicate a "a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities," in the form of a code of conduct to be observed by a listed company.
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Japan's Stewardship Code	Code of conduct for behavior for institutional investors setting out the principles as "responsible institutional investors," designed to prompt sustainable growth of corporations through investment and dialogue.
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L

Level-premium products	A type of insurance where the amount of the premium is constant from inception to the expiry of the premium payment period.
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M

MCEV (Market Consistent EV)	MCEV refers to Market Consistent EV, which is a method for evaluating EV in consistency with financial markets. MCEV is an EV calculated based on the MCEV Principles established in June 2008 by the CFO Forum (an organization of major European insurance companies), whereby a market consistent evaluation method was applied with a view to further unify the calculation standards.
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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.
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N

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.
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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.
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Policy amount	Aggregate sum insured by a life insurance company. The total of policy amount at the end of a fiscal year is called the "policy amount in force." The total policy amount of policies (including converted policies) sold in a year is called the "new policy amount."
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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.
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Positive spread/Negative spread	The state in which actual investment earnings exceed the expected return based on the assumed investment yield is referred to as a "positive spread." A "negative spread" is when actual investment earnings are below the expected return.
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Positive spread (Negative spread denoted in bracket) =

(Investment yield on core profit – Average assumed investment yield) × Policy reserve in general account

- "Investment yield on core profit" is calculated by dividing the numerator as investment earnings in general account included in core profit less the provision for interest portion of reserve for dividends to policyholder by the denominator as policy reserve in general account.
- "Average assumed investment yield" is calculated by dividing the numerator as assumed interest by the denominator as policy reserve in general account.
- "Policy reserve in general account" represents the policy reserve in general account less contingency reserve calculated by the following method.

Policy reserve in general account =

(Policy reserve at beginning of fiscal year + Policy reserve at the end of fiscal year – Assumed interest) × 1/2

R

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.
ROEV/Core ROEV	ROEV stands for Return on Embedded Value, which is an indicator for measuring capital efficiency by assuming an increase in EV as profit in consideration of the specialty of life insurance accounting. Core ROEV is an indicator using an increase in EV mainly through the acquisition of new business.

S

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.
Single-premium insurance	A type of insurance where the premium is paid in lump-sum at the conclusion of the policy which covers the entire insurance period.
Small amount and short term insurance business	Type of insurance businesses that solely underwrite protection-type insurance products, involving small insured amounts and policy periods within one year (two years for second sector) within a specified scale of operation.
Social bond	Bond issued to raise funds for contributing to solutions to global social issues, such as support for emerging countries and measures against global warming.
Solvency margin ratio	A risk indicator 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 mortality table	A table used by an insurance company for calculating "standard policy reserve," required to be set aside subject to the standards set out under the Insurance Business Act, which summarizes the data including the mortality rate and average life expectancy (average longevity into the future), by gender and age. Life insurance companies use the standard mortality table as a guideline for insurance premiums.
Standard yield rate	A 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 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

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.
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V

Value of new business	The value of distributable earnings to shareholders expected to be generated in the future from insurance policies (including converted policies) sold in a year, converted to a present value as at the valuation date.
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Corporate Data

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Selected Financial Data

T&D HOLDINGS

Years ended March 31	2014	2015	2016	2017	¥ millions 2018
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥1,609,732	¥1,958,055	¥1,574,506	¥1,505,234	¥1,483,719
Investment income	397,818	384,223	379,707	402,709	372,753
Other ordinary income	78,146	69,847	71,665	67,838	71,813
Total ordinary revenues	2,085,734	2,412,165	2,025,925	1,975,784	1,928,359
Ordinary expenses:					
Insurance claims and other payments	1,520,988	1,401,534	1,302,899	1,160,357	1,146,175
Provision for policy and other reserves	22,597	485,139	194,387	259,134	262,894
Investment expenses	86,680	66,427	77,477	130,277	96,288
Operating expenses	197,655	199,435	198,999	197,600	202,366
Other ordinary expenses	71,588	70,686	80,727	71,186	64,159
Total ordinary expenses	1,899,510	2,223,222	1,854,490	1,818,556	1,771,884
Ordinary profit	186,224	188,943	171,434	157,227	156,475
Net extraordinary gains (losses)	(30,736)	(8,105)	(29,274)	(35,067)	(16,485)
Provision for reserve for policyholder dividends	31,638	32,555	31,920	25,374	30,331
Income before income taxes	123,849	148,281	110,239	96,786	109,657
Income taxes:					
Current	48,113	44,147	46,075	33,316	34,106
Deferred	(3,402)	9,755	(8,561)	(11,895)	(2,044)
Total income taxes	44,711	53,903	37,513	21,421	32,061
Profit attributable to non-controlling interests	155	163	179	177	19
Profit attributable to owners of parent	¥ 78,982	¥ 94,215	¥ 72,547	¥ 75,187	¥ 77,577

As of March 31	2014	2015	2016	2017	¥ millions 2018
Balance Sheet Data:					
Assets:					
Total assets	¥13,804,219	¥14,664,705	¥14,674,207	¥14,891,167	¥15,262,398
Liabilities:					
Policy reserves	12,226,787	12,707,957	12,892,482	13,139,218	13,395,725
Total liabilities	12,783,895	13,319,755	13,460,145	13,794,395	14,109,362
Net assets:					
Total shareholders' equity	683,519	749,436	775,208	794,554	833,779
Total accumulated other comprehensive income	333,929	592,301	435,331	298,302	313,645
Total net assets	¥ 1,020,324	¥ 1,344,950	¥ 1,214,061	¥ 1,096,772	¥ 1,153,036

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

Years ended March 31	2014	2015	2016	2017	¥ millions 2018
Policy Results *:					
Policy amount in force	¥60,699,818	¥62,117,777	¥62,998,174	¥64,612,813	¥66,010,749
New policy amount	6,639,823	7,227,221	6,685,973	7,441,437	7,273,000
Surrender and lapse amount	3,967,421	3,752,457	3,789,522	3,837,734	3,884,453

* The total of individual insurance, individual annuities and Daido Life's J-type product, T-type product, Kaigo Relief, and Kaigo Teiki Hoken. The new policy amounts include net increases from conversions.

Other Data:					
Core profit	¥ 210,256	¥ 182,766	¥ 153,097	¥ 159,985	¥ 148,466
Group MCEV *	1,970,100	2,298,000	1,893,700	2,290,500	2,406,700
Consolidated solvency margin ratio	1,115.0%	1,220.7%	1,155.8%	1,105.1%	1,061.8%

* Group MCEV is shown in terms of hundreds of millions of yen.

TAIYO LIFE

¥ millions

Years ended March 31	2014	2015	2016	2017	2018
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥655,233	¥865,232	¥657,185	¥654,379	¥511,900
Investment income	175,794	176,370	202,909	228,058	189,495
Other ordinary income	26,244	19,544	13,792	15,517	37,319
Total ordinary revenues	857,272	1,061,146	873,887	897,955	738,716
Ordinary expenses:					
Insurance claims and other payments	585,429	566,446	604,261	535,387	522,746
Provision for policy and other reserves	52,437	281,973	39,860	99,991	885
Investment expenses	29,303	31,893	36,540	83,109	45,292
Operating expenses	77,693	77,606	76,424	77,189	76,698
Other ordinary expenses	40,151	35,619	37,676	35,635	30,301
Total ordinary expenses	785,015	993,539	794,763	831,312	675,925
Ordinary profit	72,257	67,606	79,124	66,642	62,790
Net extraordinary gains (losses)	(12,931)	(5,249)	(20,251)	(18,995)	(4,254)
Provision for reserve for policyholder dividends	17,688	18,093	18,135	11,738	15,664
Income before income taxes	41,637	44,264	40,736	35,909	42,870
Income taxes:					
Current	17,045	12,827	17,624	11,120	10,238
Deferred	(1,763)	3,482	(3,722)	(4,178)	2,151
Total income taxes	15,282	16,309	13,902	6,941	12,390
Net income	¥ 26,355	¥ 27,954	¥ 26,834	¥ 28,967	¥ 30,480

¥ millions

As of March 31	2014	2015	2016	2017	2018
Balance Sheet Data:					
Assets:					
Total assets	¥6,760,825	¥7,217,901	¥7,084,800	¥7,188,371	¥7,219,463
Liabilities:					
Policy reserves	5,998,989	6,279,589	6,318,824	6,410,781	6,389,235
Total liabilities	6,360,611	6,658,543	6,603,082	6,807,381	6,810,776
Net assets:					
Total shareholders' equity	245,046	259,537	279,336	279,765	290,945
Total valuation and translation adjustment	155,166	299,819	202,382	101,224	117,742
Total net assets	¥ 400,213	¥ 559,357	¥ 481,718	¥ 380,989	¥ 408,687

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

¥ millions

Years ended March 31	2014	2015	2016	2017	2018
Policy Results *:					
Policy amount in force	¥21,595,680	¥22,154,564	¥21,983,504	¥21,741,191	¥21,154,486
New policy amount	2,696,671	2,840,754	2,134,199	2,084,818	1,686,796
Surrender and lapse amount	1,255,419	1,270,225	1,255,956	1,255,824	1,236,078
Surrender and lapse rate	5.97%	5.88%	5.67%	5.71%	5.69%

* The total of individual insurance and individual annuities. The new policy amounts include net increases from conversions.

Other Data:					
Core profit	¥ 72,611	¥ 68,188	¥ 53,812	¥ 53,464	¥ 48,547
MCEV *	705,100	868,600	725,700	777,500	825,000
Solvency margin ratio	981.3%	993.9%	890.6%	848.6%	835.1%
Number of in-house sales representatives	8,603	8,432	8,631	8,902	8,942

* MCEV is shown in terms of hundreds of millions of yen.

Selected Financial Data

DAIDO LIFE

Years ended March 31	2014	2015	2016	2017	2018
¥ millions					
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥712,866	¥792,715	¥748,914	¥766,336	¥790,852
Investment income	160,483	169,016	165,153	154,066	171,830
Other ordinary income	19,968	19,320	21,671	24,029	25,387
Total ordinary revenues	893,318	981,052	935,739	944,431	988,070
Ordinary expenses:					
Insurance claims and other payments	522,489	494,272	502,896	484,881	496,329
Provision for policy and other reserves	119,712	231,264	181,357	204,770	232,739
Investment expenses	46,369	39,128	34,443	48,244	46,233
Operating expenses	99,377	99,152	102,531	103,099	103,602
Other ordinary expenses	14,058	19,770	24,203	20,739	19,767
Total ordinary expenses	802,008	883,588	845,431	861,736	898,672
Ordinary profit	91,309	97,464	90,307	82,695	89,397
Net extraordinary gains (losses)	(17,410)	(2,653)	4,413	(12,450)	(11,698)
Provision for reserve for policyholder dividends	13,951	14,462	13,788	13,636	14,668
Income before income taxes	59,948	80,348	80,932	56,608	63,031
Income taxes:					
Current	26,644	28,104	29,351	20,777	22,854
Deferred	(2,656)	1,064	(2,896)	(7,286)	(4,396)
Total income taxes	23,987	29,168	26,455	13,491	18,458
Net income	¥ 35,960	¥ 51,180	¥ 54,476	¥ 43,116	¥ 44,572

As of March 31	2014	2015	2016	2017	2018
¥ millions					
Balance Sheet Data:					
Assets:					
Total assets	¥5,572,800	¥5,977,975	¥6,152,026	¥6,298,188	¥6,573,924
Liabilities:					
Policy reserves	4,896,850	5,125,125	5,301,162	5,501,639	5,729,754
Total liabilities	5,041,936	5,297,596	5,488,203	5,654,175	5,913,402
Net assets:					
Total shareholders' equity	352,559	388,865	433,499	448,016	466,141
Total valuation and translation adjustment	178,304	291,513	230,323	195,996	194,380
Total net assets	¥ 530,863	¥ 680,379	¥ 663,823	¥ 644,013	¥ 660,521

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

Years ended March 31	2014	2015	2016	2017	2018
¥ millions					
Policy Results *:					
Policy amount in force	¥37,255,621	¥38,156,747	¥39,205,952	¥40,992,241	¥42,803,504
Individual term life insurance	32,882,207	33,209,130	33,673,604	34,772,475	34,724,011
<i>J-type product, T-type product, Kaigo Relief and Kaigo Teiki Hoken</i>	1,192,991	1,764,379	2,415,881	3,166,600	5,652,945
New policy amount	3,698,182	4,063,816	4,315,542	5,121,169	5,231,498
Individual term life insurance	3,108,689	3,228,184	3,426,632	4,088,485	2,944,065
<i>J-type product, T-type product, Kaigo Relief and Kaigo Teiki Hoken</i>	472,806	657,003	786,609	934,940	2,647,660
Surrender and lapse amount	2,537,348	2,378,329	2,472,006	2,525,540	2,582,199
Surrender and lapse rate	6.87%	6.38%	6.48%	6.44%	6.30%

* The total of individual insurance, individual annuities, *J-type product, T-type product, Kaigo Relief, and Kaigo Teiki Hoken*. The new policy amounts include net increases from conversions.

Other Data:					
Core profit	¥ 110,673	¥ 107,654	¥ 104,829	¥ 105,677	¥ 100,781
MCEV *	1,145,900	1,306,700	1,078,000	1,417,400	1,473,200
Solvency margin ratio	1,156.4%	1,363.7%	1,341.9%	1,252.6%	1,206.2%
Number of in-house sales representatives	3,833	3,790	3,867	3,843	3,714
Number of agents	13,432	13,675	13,793	13,878	13,992

* MCEV is shown in terms of hundreds of millions of yen.

T&D FINANCIAL LIFE

¥ millions

Years ended March 31	2014	2015	2016	2017	2018
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥239,777	¥297,755	¥165,436	¥ 80,918	¥176,474
Investment income	64,948	46,366	14,232	23,041	12,982
Other ordinary income	163,943	37,989	38,365	51,874	7,036
Total ordinary revenues	468,669	382,110	218,035	155,834	196,492
Ordinary expenses:					
Insurance claims and other payments	412,275	339,700	194,324	138,311	124,953
Provision for policy and other reserves	7,697	1,440	2	0	50,164
Investment expenses	13,138	1,814	7,950	213	4,888
Operating expenses	13,101	14,422	12,705	9,745	12,349
Other ordinary expenses	1,545	2,275	1,840	1,363	1,592
Total ordinary expenses	447,758	359,653	216,822	149,634	193,948
Ordinary profit	20,910	22,457	1,212	6,199	2,543
Net extraordinary gains (losses)	(398)	(174)	(621)	(3,612)	(461)
Reversal of reserve for policyholder dividends	(2)	(0)	(3)	(1)	(1)
Income before income taxes	20,514	22,282	593	2,587	2,083
Income taxes:					
Current	3,647	2,411	(1,735)	874	199
Deferred	957	5,225	1,837	(427)	295
Total income taxes	4,604	7,636	101	446	494
Net income	¥ 15,909	¥ 14,645	¥ 492	¥ 2,141	¥ 1,588

¥ millions

As of March 31	2014	2015	2016	2017	2018
Balance Sheet Data:					
Assets:					
Total assets	¥1,393,592	¥1,387,624	¥1,359,879	¥1,313,747	¥1,365,878
Liabilities:					
Policy reserves	1,329,961	1,301,958	1,270,904	1,224,914	1,274,376
Total liabilities	1,340,493	1,319,425	1,289,619	1,242,846	1,292,955
Net assets:					
Total shareholders' equity	52,748	67,394	67,886	70,027	71,616
Total valuation and translation adjustment	349	804	2,373	874	1,306
Total net assets	¥ 53,098	¥ 68,198	¥ 70,260	¥ 70,901	¥ 72,922

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

¥ millions

Years ended March 31	2014	2015	2016	2017	2018
Policy Results *:					
Policy amount in force	¥1,848,515	¥1,806,465	¥1,808,717	¥1,879,380	¥2,052,758
Sales through independent insurance agents	1,050,025	1,091,312	1,156,568	1,280,606	1,506,435
New policy amount	244,969	322,651	236,231	235,449	354,705
Surrender and lapse amount	174,654	103,902	61,559	56,368	66,174
Surrender and lapse rate	8.56%	5.62%	3.41%	3.12%	3.52%

* The total of individual insurance and individual annuities.

Other Data:

Core profit (loss)	¥26,971	¥ 6,923	¥ (5,545)	¥ 843	¥ (863)
MCEV *	92,300	95,800	93,400	97,400	102,600
Solvency margin ratio	1,051.2%	1,271.9%	1,260.7%	1,295.6%	1,258.3%

* MCEV is shown in terms of hundreds of millions of yen.

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31,		¥ millions	US\$ thousands
	2017	2018	2018
Assets:			
Cash and deposits	¥ 862,425	¥ 776,510	\$ 7,309,017
Call loans	11,302	10,539	99,199
Monetary claims purchased	141,242	117,578	1,106,724
Monetary trusts	583,476	685,819	6,455,380
Securities (Notes 8, 13 and 14)	11,001,953	11,377,032	107,088,035
Loans (Notes 3 and 7)	1,685,118	1,648,600	15,517,696
Tangible fixed assets (Note 4)	319,884	363,245	3,419,100
Land (Note 2 (13))	177,864	202,010	1,901,458
Buildings	122,157	155,308	1,461,865
Lease assets	714	605	5,698
Construction in progress	15,237	1,237	11,648
Other tangible fixed assets	3,910	4,082	38,428
Intangible fixed assets	23,195	26,862	252,851
Software	21,640	25,395	239,036
Lease assets	383	298	2,805
Other intangible fixed assets	1,172	1,169	11,009
Due from agencies	756	740	6,965
Due from reinsurers	3,535	3,136	29,526
Other assets (Note 14)	210,889	209,171	1,968,857
Deferred tax assets	49,143	44,753	421,250
Reserve for possible loan losses	(1,755)	(1,591)	(14,979)
Total assets	¥14,891,167	¥15,262,398	\$143,659,627

As of March 31,	2017	¥ millions 2018	US\$ thousands 2018
Liabilities:			
Policy reserves	¥13,139,218	¥13,395,725	\$126,089,286
Reserve for outstanding claims	70,065	67,749	637,706
Policy reserve	12,976,211	13,239,086	124,614,891
Reserve for policyholder dividends (Note 6)	92,942	88,889	836,688
Due to agencies	334	658	6,195
Due to reinsurers	1,781	1,539	14,489
Short-term debentures	2,999	6,000	56,475
Bonds (Note 9)	50,095	87,065	819,512
Other liabilities (Notes 10 and 14)	332,772	342,252	3,221,498
Provision for bonuses to directors and audit & supervisory board members	263	276	2,603
Net defined benefit liability	56,547	50,764	477,828
Provision for directors' and audit & supervisory board members' retirement benefits	53	56	530
Reserves under the special laws	204,894	219,695	2,067,913
Reserve for price fluctuations	204,894	219,695	2,067,913
Deferred tax liabilities	7	13	128
Deferred tax liabilities on land revaluation (Note 2 (13))	5,426	5,316	50,038
Total liabilities	13,794,395	14,109,362	132,806,501
Net assets:			
Capital stock	207,111	207,111	1,949,471
Capital surplus	194,522	156,785	1,475,769
Retained earnings	460,683	516,585	4,862,439
Treasury shares	(67,763)	(46,703)	(439,606)
Total shareholders' equity	794,554	833,779	7,848,074
Valuation difference on available-for-sale securities	338,842	353,590	3,328,224
Deferred gains (losses) on hedging instruments	(5,203)	(4,320)	(40,663)
Land revaluation (Note 2 (13))	(35,354)	(35,637)	(335,439)
Foreign currency translation adjustments	17	11	110
Total accumulated other comprehensive income	298,302	313,645	2,952,232
Subscription rights to shares	1,178	1,216	11,449
Non-controlling interests	2,737	4,395	41,369
Total net assets	1,096,772	1,153,036	10,853,125
Total liabilities and net assets	¥14,891,167	¥15,262,398	\$143,659,627

See notes to consolidated financial statements.

Consolidated Statement of Operation

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Ordinary revenues	¥1,975,784	¥1,928,359	\$18,150,976
Income from insurance premiums	1,505,234	1,483,719	13,965,733
Investment income	402,709	372,753	3,508,601
Interest, dividends and income from real estate for rent	276,628	285,496	2,687,279
Gains from monetary trusts, net	5,610	—	—
Gains on sales of securities	111,077	78,487	738,778
Foreign exchange gains	1,295	—	—
Reversal of reserve for possible loan losses	292	86	814
Other investment income	2,386	2,734	25,739
Gains on separate accounts, net	5,418	5,948	55,989
Other ordinary income	67,838	71,813	675,954
Equity in earnings of affiliates	1	72	686
Ordinary expenses	1,818,556	1,771,884	16,678,131
Insurance claims and other payments	1,160,357	1,146,175	10,788,546
Insurance claims	349,055	334,188	3,145,604
Annuity payments	300,940	281,915	2,653,576
Insurance benefits	152,715	148,099	1,394,012
Surrender payments	307,840	330,019	3,106,356
Other payments	49,805	51,951	488,996
Provision for policy and other reserves	259,134	262,894	2,474,535
Provision for reserve for outstanding claims	2,151	—	—
Provision for policy reserve	256,954	262,874	2,474,350
Interest portion of reserve for policyholder dividends	27	19	184
Investment expenses	130,277	96,288	906,332
Interest expenses	573	637	6,002
Losses from monetary trusts, net	—	285	2,689
Losses on investments in trading securities, net	587	195	1,843
Losses on sales of securities	57,725	18,097	170,341
Devaluation losses on securities	853	6,193	58,296
Losses from derivatives, net	49,712	45,680	429,970
Foreign Exchange losses	—	3,900	36,714
Write-off of loans	2	1	11
Depreciation of real estate for rent	4,891	5,027	47,325
Other investment expenses	15,931	16,269	153,137
Operating expenses	197,600	202,366	1,904,804
Other ordinary expenses	71,186	64,159	603,913
Ordinary profit	¥ 157,227	¥ 156,475	\$ 1,472,844

(continued)

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Extraordinary gains	¥ 300	¥ 28	\$ 266
Gains on disposal of fixed assets	239	13	124
State subsidy	60	15	141
Extraordinary losses	35,367	16,513	155,437
Losses on disposal of fixed assets	1,098	953	8,975
Impairment losses (Note 16)	4,779	744	7,005
Provision for reserve for price fluctuations	29,134	14,800	139,314
Other extraordinary losses	353	15	141
Provision for reserve for policyholder dividends	25,374	30,331	285,503
Income before income taxes	96,786	109,657	1,032,169
Income taxes (current)	33,316	34,106	321,030
Income taxes (deferred)	(11,895)	(2,044)	(19,248)
Total income taxes	21,421	32,061	301,782
Profit	75,365	77,596	730,386
Profit attributable to non-controlling interests	177	19	179
Profit attributable to owners of parent	¥ 75,187	¥ 77,577	\$ 730,207

Consolidated Statement of Comprehensive Income

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Profit	¥ 75,365	¥77,596	\$730,386
Other comprehensive income:			
Valuation difference on available-for-sale securities	(148,357)	14,764	138,969
Deferred gains (losses) on hedging instruments	3,398	883	8,314
Foreign currency translation adjustments	(0)	(0)	(1)
Share of other comprehensive income of associates accounted for using the equity method	(5)	(6)	(65)
Total other comprehensive income (Note 17)	(144,963)	15,640	147,216
Comprehensive income	¥ (69,598)	¥93,236	\$877,603
(Breakdown)			
Comprehensive income attributable to owners of parent	¥ (69,776)	¥93,202	\$877,286
Comprehensive income attributable to non-controlling interests	177	33	316

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

¥ millions

Year ended March 31, 2017	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the year	¥207,111	¥194,550	¥422,422	¥(48,876)	¥775,208	¥487,200	¥(8,601)	¥(43,288)	¥21	¥435,331	¥926	¥2,595	¥1,214,061
Changes in the period:													
Dividends			(28,992)		(28,992)								(28,992)
Profit attributable to owners of parent			75,187		75,187								75,187
Purchase of treasury shares				(19,012)	(19,012)								(19,012)
Disposal of treasury shares		(28)		125	97								97
Reversal of land revaluation			(7,934)		(7,934)								(7,934)
Net changes of items other than shareholders' equity						(148,358)	3,398	7,934	(4)	(137,029)	251	142	(136,635)
Total changes in the period		(28)	38,261	(18,886)	19,345	(148,358)	3,398	7,934	(4)	(137,029)	251	142	(117,289)
Balance at the end of the year	¥207,111	¥194,522	¥460,683	¥(67,763)	¥794,554	¥338,842	¥(5,203)	¥(35,354)	¥17	¥298,302	¥1,178	¥2,737	¥1,096,772

¥ millions

Year ended March 31, 2018	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the year	¥207,111	¥194,522	¥460,683	¥(67,763)	¥794,554	¥338,842	¥(5,203)	¥(35,354)	¥17	¥298,302	¥1,178	¥2,737	¥1,096,772
Changes in the period:													
Dividends			(21,958)		(21,958)								(21,958)
Profit attributable to owners of parent			77,577		77,577								77,577
Purchase of treasury shares				(17,018)	(17,018)								(17,018)
Disposal of treasury shares		(106)		377	271								271
Retirement of treasury shares		(37,700)		37,700	—								—
Change in ownership interest of parent due to transactions with non-controlling interests		70			70								70
Reversal of land revaluation			282		282								282
Net changes of items other than shareholders' equity						14,748	883	(282)	(5)	15,342	38	1,657	17,038
Total changes in the period		(37,736)	55,901	21,059	39,225	14,748	883	(282)	(5)	15,342	38	1,657	56,263
Balance at the end of the year	¥207,111	¥156,785	¥516,585	¥(46,703)	¥833,779	¥353,590	¥(4,320)	¥(35,637)	¥11	¥313,645	¥1,216	¥4,395	¥1,153,036

US\$ thousands

Year ended March 31, 2018	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	\$1,949,471	\$1,830,968	\$4,336,254	\$(637,832)	\$7,478,861	\$3,189,406	\$(48,977)	\$(332,776)	\$163	\$2,807,815	\$11,089	\$25,769	\$10,323,536
Changes in the period:													
Dividends			(206,684)		(206,684)								(206,684)
Profit attributable to owners of parent			730,207		730,207								730,207
Purchase of treasury shares				(160,189)	(160,189)								(160,189)
Disposal of treasury shares		(1,002)		3,557	2,554								2,554
Retirement of treasury shares		(354,858)		354,858	—								—
Change in ownership interest of parent due to transactions with non-controlling interests		661			661								661
Reversal of land revaluation			2,662		2,662								2,662
Net changes of items other than shareholders' equity						138,817	8,314	(2,662)	(52)	144,416	359	15,600	160,376
Total changes in the period		(355,198)	526,185	198,225	369,212	138,817	8,314	(2,662)	(52)	144,416	359	15,600	529,589
Balance at the end of the year	\$1,949,471	\$1,475,769	\$4,862,439	\$(439,606)	\$7,848,074	\$3,328,224	\$(40,663)	\$(335,439)	\$110	\$2,952,232	\$11,449	\$41,369	\$10,853,125

Consolidated Statement of Cash Flows

Years ended March 31,		¥ millions	US\$ thousands
	2017	2018	2018
Cash flows from operating activities:			
Income before income taxes	¥ 96,786	¥ 109,657	\$ 1,032,169
Depreciation of real estate for rent	4,891	5,027	47,325
Depreciation	11,345	10,762	101,307
Impairment losses	4,779	744	7,005
Increase (decrease) in reserve for outstanding claims	2,151	(2,315)	(21,797)
Increase (decrease) in policy reserve	256,954	262,874	2,474,350
Interest portion of reserve for policyholder dividends	27	19	184
Provision for reserve for (reversal of) policyholder dividends	25,374	30,331	285,503
Increase (decrease) in reserve for possible loan losses	(299)	(162)	(1,531)
Increase (decrease) in provision for bonuses to directors and audit & supervisory board members	(18)	13	126
Increase (decrease) in net defined benefit liability	(3,183)	(5,783)	(54,436)
Increase (decrease) in provision for directors' and audit & supervisory board members' retirement benefits	(25)	2	22
Increase (decrease) in reserve for price fluctuations	29,134	14,800	139,314
Interest, dividends and income from real estate for rent	(276,628)	(285,496)	(2,687,279)
Losses (gains) on investment securities	(57,329)	(59,949)	(564,287)
Interest expenses	573	637	6,002
Foreign exchange losses (gains)	(540)	3,463	32,604
Losses (gains) on disposal of tangible fixed assets	656	888	8,364
Equity in losses (income) of affiliated companies	(1)	(72)	(686)
Decrease (increase) in amount due from agencies	(9)	16	156
Decrease (increase) in amount due from reinsurers	(2,794)	364	3,427
Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)	(7,347)	(14,043)	(132,184)
Increase (decrease) in amount due to agencies	(296)	324	3,049
Increase (decrease) in amount due to reinsurers	1,140	(242)	(2,282)
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	3,337	99	938
Others, net	58,206	60,032	565,064
Subtotal	146,888	131,995	1,242,431
Interest, dividends and income from real estate for rent received	287,630	295,876	2,784,982
Interest paid	(573)	(550)	(5,186)
Policyholder dividends	(37,713)	(34,469)	(324,445)
Others, net	3,648	2,107	19,837
Income taxes paid	(56,119)	(24,832)	(233,739)
Net cash provided by (used in) operating activities	¥ 343,760	¥ 370,127	\$ 3,483,880

(continued)

Years ended March 31,		¥ millions	US\$ thousands
	2017	2018	2018
Cash flows from investing activities:			
Net decrease (increase) in cash and deposits	¥ (200)	¥ (50)	\$ (470)
Investments in monetary claims purchased	(8,500)	(2,000)	(18,825)
Proceeds from sales and redemption of monetary claims purchased	47,777	25,454	239,594
Investments in monetary trusts	(113,277)	(137,658)	(1,295,731)
Proceeds from monetary trusts	60,070	35,470	333,866
Purchase of securities	(2,525,588)	(1,643,451)	(15,469,235)
Proceeds from sales and redemption of securities	1,843,117	1,265,588	11,912,545
Investments in loans	(345,104)	(397,753)	(3,743,914)
Collection of loans	429,496	435,667	4,100,781
Others, net	93,832	5,560	52,334
Subtotal	(518,376)	(413,173)	(3,889,053)
Total of net cash provided by (used in) operating activities and investment transactions as above	(174,616)	(43,045)	(405,172)
Purchase of tangible fixed assets	(17,387)	(53,658)	(505,070)
Proceeds from disposal of tangible fixed assets	1,575	247	2,325
Others, net	(316)	(574)	(5,411)
Net cash provided by (used in) investing activities	(534,505)	(467,159)	(4,397,210)
Cash flows from financing activities:			
Net increase (decrease) in short-term debenture	0	3,000	28,238
Proceeds from issuance of debt	11,700	22,800	214,608
Repayments of debt	(12,149)	(12,331)	(116,068)
Proceeds from issuance of bonds	—	37,000	348,268
Proceeds from share issuance to non-controlling shareholders	13	2,147	20,216
Repayments to non-controlling shareholders	—	(405)	(3,816)
Payment of lease obligations	(590)	(527)	(4,967)
Purchase of treasury shares	(19,012)	(17,018)	(160,189)
Proceeds from disposal of treasury shares	0	0	1
Dividends paid	(28,840)	(21,926)	(206,383)
Dividends paid to non-controlling interests	(48)	(48)	(454)
Others, net	0	0	2
Net cash provided by (used in) financing activities	(48,926)	12,690	119,455
Effect of exchange rate changes on cash and cash equivalents	17	(2,387)	(22,473)
Net increase (decrease) in cash and cash equivalents	(239,654)	(86,728)	(816,347)
Cash and cash equivalents at the beginning of the year	1,124,922	885,267	8,332,714
Cash and cash equivalents at the end of the year (Note 19)	¥ 885,267	¥ 798,538	\$ 7,516,366

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

(1) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the "Company") was established as a life insurance holding company, of 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 (the "T&D Life Group"), 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.

The translations of Japanese 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 1 U.S. dollar = 106.24 Japanese yen, which was the approximate rate prevailing at March 31, 2018. 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.

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

(2) Principles of consolidation

- a. Matters related to the scope of consolidation
 - (i) Number of consolidated subsidiaries: 16
Names of main consolidated subsidiaries are stated in "Group Companies" of the Annual Report.
 - (ii) Names of main non-consolidated subsidiaries, etc.: none
- b. Matters related to the application of the equity method
 - (i) Number of non-consolidated subsidiaries accounted for under the equity method: none
 - (ii) Number of affiliates accounted for under the equity method: 3
The affiliates accounted for under the equity method are Alternative Investment Capital Limited, Thuriya Ace Technology Company Limited and one other company.
 - (iii) Names of non-consolidated subsidiaries and affiliates not accounted for under the equity method, etc.: none
 - (iv) For the companies accounted for under the equity method for which the closing date is different from the consolidated closing date, the financial statements of each company's fiscal year are used.
- c. Matters related to the fiscal year of consolidated subsidiaries, etc.
The closing date of some consolidated subsidiaries is December 31. In preparing the consolidated financial statements, financial statements as of that date are used and necessary adjustments are made on consolidation to reflect significant transactions that occurred between the closing date and the consolidated closing date.

(3) Foreign currency translation

Foreign currency assets and liabilities are translated into Japanese yen at the prevailing foreign exchange rates at the consolidated balance sheet date.

Assets, liabilities, revenues and expenses of the Company's affiliates located outside Japan are translated into Japanese yen at the exchange rates in effect at the respective balance sheet date. Translation differences of foreign currencies are included in net assets as foreign currency translation adjustments or non-controlling interests.

(4) Accounting policy for measuring significant assets

- a. Evaluation criteria and evaluation method for securities (including cash and deposits/monetary claims purchased which are equivalent to securities and securities invested as trust properties in monetary trusts)
- (i) Trading securities
 - Market value method (costs of securities sold are calculated based on the moving average method)
 - (ii) Held-to-maturity bonds
 - Amortized cost method based on the moving average method (straight-line method)
 - (iii) Policy-reserve-matching bonds
 - Amortized cost method based on the moving average method (straight-line method)
 - (iv) Available-for-sale securities
 - Securities with market value are valued by the market value method (costs of securities sold are calculated based on the moving average method) based on the market price, etc., of the last day of the consolidated fiscal year
 - Securities without readily obtainable market value, which are public and corporate bonds (including foreign bonds), for which the difference between the purchase price and face value is recognized as an interest rate adjustment are valued by the amortized cost method based on the moving average method (straight-line method)
 - Securities other than the above are valued by the cost method based on the moving average method
- Valuation differences on available-for-sale securities are included in net assets.

For some of the consolidated subsidiaries, translation differences of bonds in foreign currency-denominated available-for-sale securities are treated as follows: the translation differences from foreign currency market value fluctuations are recorded as “net unrealized gains (losses)” and the remaining differences as “foreign exchange gains (losses).”

The overview of the risk management policies of policy-reserve-matching bonds

[Taiyo Life]

Managed by setting the investment policy of attempting to effectively reduce the risk of the whole portfolio by asset mix which is based on a balanced-type ALM aiming at exceeding medium- and long-term liability cost.

Taking into account this investment policy and based on the “Temporary Treatment of Accounting and Auditing Concerning

Policy-Reserve-Matching Bonds within the Insurance Industry” (JICPA, Industry Audit Committee Report No. 21), the following insurance policies are identified and classified as a sub-segment.

- All policies except for group insurance products segment, other insurance product segment, non-participating currency specific-type single-premium individual annuity insurance, etc., in the general asset segment
- All non-participating currency specific-type single-premium individual annuity insurance policies by currency in the general asset segment
- All defined contribution corporate pension insurance policies and all group pure endowment insurance in the group annuity insurance asset segment
- All insurance policies in the single-premium whole life/annuity insurance asset segment

(Additional information)

Sub-segments by currency have been newly set for non-participating currency specific-type single-premium individual annuity insurance launched in consolidated fiscal year 2017, aimed for managing risks according to the cash-flow characteristics of the liabilities. There is no effect on the consolidated balance sheet and consolidated statement of operation regarding this change.

[Daido Life]

Managed by setting the investment policy fully considering the characteristics and the risk tolerance of insurance products in order to ensure the fulfillment of future obligations.

Based on this investment policy, sub-segments in accordance with the characteristics of the insurance products are set and bonds held in the attempt to control the duration within each sub-segment are classified as policy-reserve-matching bonds. The sub-segments are set as follows:

- Individual insurance/individual annuity insurance in the general asset segment
- Individual insurance/individual annuity insurance in the non-participating insurance asset segment (subjects are the cash flows likely to occur in the period of over 5 years and within 30 years in the future)
- Group annuity insurance in the group annuity insurance asset segment

(Additional information)

Sub-segment for group annuity insurance has been newly set in consolidated fiscal year 2017, in order to further sophisticate integrated management of assets and liabilities. There is no effect on the consolidated balance sheet and consolidated statement of operation regarding this change.

[T&D Financial Life]

Sub-segments are set in accordance with the characteristics of the insurance products and the asset management policy is formulated considering each sub-segment in order to manage interest rate risk appropriately. Further, the matching of the duration of policy reserves and policy-reserve-matching bonds within constant width are verified regularly. The sub-segments are set as follows:

- Individual insurance (the portion of the future payout at the certain attained age and above of the subject insurance type)
- Accumulation rate type individual insurance
- Accumulation rate type fixed annuity insurance

Note that some insurance types and benefits are excluded.

- b. Evaluation criteria and evaluation method of derivative transactions
Evaluation of derivative transactions is processed based on the market value method.

(5) Processing method for deferred assets

Bond issuance costs are processed as expenses in full amount when incurred.

(6) Reserve for possible loan losses

The reserve for possible loan losses of the Three Life Insurance Companies is allocated in accordance with the self-assessment criteria and amortization/provision criteria of assets in order to provide for losses due to irrecoverable credits, as follows:

For loans to borrowers who are in a state of legal/formal bankruptcy such as bankruptcy and civil rehabilitation, or in a state of substantial bankruptcy, the remaining amount of the loan after directly deducting the amount stated below, less the estimated amount collectible from collateral and guarantees is recorded.

For loans to borrowers who are not yet bankrupt but highly likely to fall into bankruptcy, the amount deemed necessary from the overall assessment of the borrowers' solvency is recorded from the remaining amount of the loan after deducting the estimated amount collectible from collateral and guarantees.

For loans other than the above (performing loans and doubtful loans), historical loan-loss ratio calculated from the loan losses from the fixed period in the past, multiplied by the loan amount, etc., is recorded.

All loans are subject to asset assessment by the related division based on the self-assessment criteria of the assets. The reserve mentioned above is implemented based on the assessment results, after the asset auditing division independent from the related division audits the assessment results.

For collateralized or guaranteed loans to borrowers subject to bankruptcy or substantial bankruptcy, the amount of loans exceeding the estimated value of collateral or guarantees,

which were deemed uncollectible, was directly deducted from the amount of loans in the amounts of ¥385 million and ¥379 million [\$3,567 thousand] for the years ended March 31, 2017 and 2018, respectively.

Consolidated subsidiaries other than the Three Life Insurance Companies allocate reserves for possible loan losses, in accordance with criteria equivalent to the above, based on the results of the assessment which is implemented in the scope deemed necessary considering the importance.

(7) Allocation method for reserve for price fluctuations

Reserves for price fluctuations of the Three Life Insurance Companies are allocated in order to provide for losses due to price fluctuations, which is pursuant to requirements under Article 115 of the Insurance Business Act.

(8) Funding method for policy reserve

Policy reserves of the Three Life Insurance Companies are reserves pursuant to requirements under Article 116 of the Insurance Business Act. The premium reserve is calculated based on the following methods.

- For policies subject to standard policy reserve, the method established by the Commissioner of the Financial Services Agency (Notification No. 48 of the Ministry of Finance (1996))
- For policies not subject to standard policy reserve, net level premium method

In addition, Daido Life is funding additional policy reserves in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, for certain individual annuity insurance for which the annuity payment has been initiated.

(9) Provision for bonuses to directors and audit & supervisory board members

To provide for payment of bonuses to directors and audit & supervisory board members, a reserve for the directors' and audit & supervisory board members' bonuses is recorded based on the expected amount to be paid in the year ended March 31, 2018.

(10) Provision for directors' and audit & supervisory board members' retirement benefits

To provide for directors' and audit & supervisory board members' retirement benefits, the Company sets up a provision for directors' and audit & supervisory board members' retirement benefits based on the internal rules of certain consolidated subsidiaries, which is recorded in the amount recognized to have accrued as of March 31, 2018.

(11) Accounting method for employees' retirement benefits

For the calculation of retirement benefit obligations, the method for attributing the expected retirement benefit amount to each period up to the current fiscal year-end is based on the benefit formula standard.

Actuarial gains and losses, past service costs and losses relating to changes in accounting policies are expensed in the fiscal year which they accrue.

(12) Depreciation method for significant depreciation assets

a. Tangible fixed assets (except for lease assets)

Depreciation of tangible fixed assets (except for lease assets) is mainly calculated under the declining-balance method.

Depreciation of buildings (except for building and accessories, and structures) acquired on and after April 1, 1998, and building and accessories, and structures acquired on and after April 1, 2016, is calculated under the straight-line method. The main durable years are as follows:

- Buildings, building and accessories, and structures: 2-50 years
- Furniture and fixtures: 2-20 years

b. Intangible fixed assets (except for lease assets)

Depreciation of software used in-house is calculated under the straight-line method over a useful life of five years.

c. Lease assets

For the depreciation of lease assets, lease assets with respect to ownership-transfer finance leases are calculated under the same method for self-owned tangible fixed assets, and lease assets with respect to non-ownership-transfer finance leases are calculated under the straight-line method over the lease period.

(13) Land revaluation

Taiyo Life revalued its land for operating purposes based on Act on Revaluation of Land (Act No. 34 of 1998). Regarding the valuation differences between the previous and the revalued amounts, the tax equivalent to this valuation differences has been recorded in Liabilities section as "Deferred tax liabilities on land revaluation" and the amount after deducting the tax equivalent from the valuation differences is recorded in Net Assets as "Land revaluation."

– The method of revaluation provided for in Article 3, Paragraph 3 of the same law

The amount is rationally adjusted and calculated based on the listed land price value as prescribed in Article 2, Item 1 of the Order for Enforcement of the Act on Revaluation of Land, the benchmark land price as prescribed in Article 2, Item 2 of the same, and an appraisal by the real estate appraisers as

prescribed in Article 2, Item 5 of the same, etc.

– Date of revaluation: March 31, 2002

(14) Method for significant hedge accounting

a. Hedge accounting method for Taiyo Life

(i) Method for hedge accounting

Deferral hedge treatment and fair value hedge treatment are used in hedge accounting. Special treatment is applied for interest rate swap transactions qualifying for special treatment, and allocation treatment is applied for currency swap transactions qualifying for allocation treatment.

(ii) Hedging instrument and hedged item

- 1) Hedging instrument: interest rate swap
Hedged item: loans and bonds
- 2) Hedging instrument: currency swap
Hedged item: foreign currency-denominated loans
- 3) Hedging instrument: foreign exchange contract
Hedged item: foreign currency-denominated assets
- 4) Hedging instrument: option
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts, domestic bonds
- 5) Hedging instrument: credit transaction
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts
- 6) Hedging instrument: forward contract
Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts

(iii) Hedging policy

Based on internal rules, etc., in accordance with the risk management policy concerning asset management, cash flow and price fluctuation risks related to hedged items are hedged within a certain range.

(iv) Evaluation method for hedge effectiveness

Hedge effectiveness is evaluated semi-annually by methods such as ratio analysis which compares the cumulative total of market fluctuations or cash flow fluctuations of hedged items and hedging instruments. However, evaluation of hedge effectiveness is omitted for interest rate swap transactions under special treatment, etc., currency swap transactions under allocation treatment, contracts in which both the hedged item and the hedging instrument are denominated in the same currency, option transactions in which hedged items are domestic/foreign stocks and domestic/foreign-listed investment trusts, credit transactions and forward contracts, and

option transactions in which domestic bonds are the hedged item.

- b. Hedge accounting method for Daido Life
- (i) Method for hedge accounting
Fair value hedge treatment is adopted for the method for hedge accounting. Allocation treatment is adopted for foreign exchange contract transactions hedging foreign currency fixed deposits qualifying for allocation treatment.
- (ii) Hedging instrument and hedged item
Hedging instrument: foreign exchange contract
Hedged item: foreign currency-denominated available-for-sale securities and fixed deposits
- (iii) Hedging policy
Based on internal rules, etc., concerning asset management, foreign exchange fluctuation risks of hedged items are hedged within a certain range.
- (iv) Evaluation method for hedge effectiveness
Hedge effectiveness is evaluated by ratio analysis which mainly compares the fair value fluctuation of hedged items and hedging instruments.
However, the evaluation is omitted if the material conditions of the hedged item and the hedging instrument are the same and hedge effectiveness is high.

[15] Accounting treatment for consumption taxes

The accounting treatment of consumption tax and local consumption tax is based on the tax exclusion method. However, non-deductible consumption tax on assets, etc., which is prescribed in the tax law as deferred consumption tax, etc., is recorded in other assets and amortized over a 5-year period on a straight-line basis, whereas tax other than deferred consumption tax is expensed in the fiscal year in which it accrues.

[16] Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash, deposits withdrawable at any time and readily convertible into cash, and short-term investments (term deposits, call loans, commercial paper, treasury discount bills, etc.) with insignificant risk of price fluctuations and with a maturity of 3 months or less at the time of acquisition.

[17] Unadopted accounting standards, etc.

[Implementation Guidance on Tax Effect Accounting, etc.]

- “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018)
 - “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on February 16, 2018)
- a. Summary
Revisions in the treatment of taxable temporary differences related to stocks of subsidiaries, etc., in individual financial statements, and clarification of the recoverability of deferred tax assets for enterprises corresponding to Category 1.
- b. Scheduled date of application
Scheduled to be applied from the beginning of the fiscal year starting April 1, 2018.
- c. Effect of the application of the accounting standards
The amount of the impact is under evaluation at the time of preparing the consolidated financial statements for the consolidated fiscal year ended March 31, 2018.

[Accounting Standard for Revenue Recognition, etc.]

- “Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 29, issued on March 30, 2018)
 - “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018)
- a. Summary
A comprehensive accounting standard for revenue recognition. Revenue will be recognized applying the following five steps.
Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations of the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to the performance obligations of the contract.
Step 5: Recognize the revenue at the time when the performance obligations are fulfilled or as the performance obligations become fulfilled.
- b. Scheduled date of application
Scheduled to be applied from the beginning of the fiscal year starting April 1, 2021.
- c. Effect of the application of the accounting standards
The amount of the impact is under evaluation at the time of preparing the consolidated financial statements for the consolidated fiscal year ended March 31, 2018.

Note 3 **Loans**

The amounts of delinquent loans of the Company and its consolidated subsidiaries are as follows:

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Loans to bankrupt companies	¥ 207	¥ 194	\$ 1,832
Past due loans	431	384	3,619
Loans overdue for three months or more	2,527	2,178	20,507
Restructured loans	23	21	200
Total	¥3,189	¥2,779	\$26,159

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 a 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 beginning the day after the agreed due date.

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 the borrower.

The direct write-downs of estimated uncollectable loans are as follows:

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Loans to bankrupt companies	¥ 76	¥ 74	\$698
Past due loans	106	101	956

Note 4 **Accumulated Depreciation of Tangible Fixed Assets**

The amounts of accumulated depreciation of tangible fixed assets are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2017	2018	2018
Accumulated depreciation of tangible fixed assets	¥230,955	¥236,200	\$2,223,272

Note 5 **Separate Account Assets**

The amounts of separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act are as follows. The amounts of liabilities are equal to the amounts of assets.

		¥ millions	US\$ thousands
Years ended March 31,	2017	2018	2018
Separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act	¥84,797	¥64,224	\$604,523

Note 6 **Reserve for Policyholder Dividends**

The changes in reserve for policyholder dividends included in policy reserves are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2017	2018	2018
Balance at the beginning of the year	¥105,311	¥ 92,942	\$ 874,831
Policyholder dividends	(37,713)	(34,469)	(324,445)
Increase in interest	27	19	184
Increase due to other reasons	—	65	613
Decrease due to other reasons	(58)	—	—
Provision for reserve for policyholder dividends	25,374	30,331	285,503
Balance at the end of the year	¥ 92,942	¥ 88,889	\$ 836,688

Note 7 Unused Loan Balance under Loan Commitments

The unused loan balance under loan commitments is as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Total amount of loan commitments	¥13,700	¥24,143	\$227,249
Balance of loans outstanding	3,017	6,800	64,009
Balance	¥10,682	¥17,342	\$163,240

Note 8 Lending Securities for Loan Agreements

The lending securities for loan agreements are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Lending securities for loan agreement	¥307,735	¥449,505	\$4,231,036

Note 9 Bonds

Bonds include subordinated bonds, of which the payment priority is subordinated to other debts. The amounts are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Subordinated bonds	¥20,000	¥57,000	\$536,521

Note 10 Other Liabilities

Other liabilities include subordinated borrowings, of which the payment priority is subordinated to other debts. The amounts are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Subordinated borrowings	¥30,000	¥43,000	\$404,743

Note 11 Future Contributions to the Life Insurance Policyholders Protection Corporation of Japan

The amounts of the Three Life Insurance Companies' future contributions to the Life Insurance Policyholders Protection Corporation of Japan, which are estimated in accordance with Article 259 of the Insurance Business Act, are as follows. The contributions are recorded on the consolidated statement of operation as an operating expense when contributed.

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Contributions to the Life Insurance Policyholders Protection Corporation	¥22,609	¥21,597	\$203,288

Note 12 Organizational Change Surplus

The amounts of the organizational change surplus prescribed in Article 91 of the Insurance Business Act, are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Taiyo Life Insurance Company	¥63,158	¥63,158	\$594,487
Daido Life Insurance Company	10,836	10,836	101,999

Note 13 Stocks of Affiliated Companies

Stocks of affiliated companies included in securities are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Stocks of affiliated companies	¥350	¥410	\$3,861

Note 14 Assets Pledged as Collateral and Secured Debts

Assets pledged as collateral are as follows:

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Japanese government bonds	¥139,287	¥140,025	\$1,318,007
Foreign securities	307,735	370,941	3,491,544
Cash collateral pledged for financial instruments	16,894	871	8,198
Balance	¥463,916	¥511,837	\$4,817,750

Of these assets, securities are mainly pledged as a substitute for the overdraft limit of the exclusive account of real-time gross settlement of government bonds with the Bank of Japan, bond-lending transactions secured by securities, and margin for futures contracts, etc.

Secured debts

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Cash collateral received for bond-lending transactions	¥114,804	¥109,943	\$1,034,860

Note 15 Fair Value of Financial Assets Received as Collateral with Free Right of Disposal

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Financial Assets Received as Collateral with Free Right of Disposal	¥—	¥70,441	\$663,043

Note 16 Impairment Losses on Fixed Assets

The items regarding impairment losses on fixed assets are as follows:

(1) Grouping of assets

The Three Life Insurance Companies' group real estate owned for insurance operations, etc., as a single asset group and other assets such as rental property and unused real estate are grouped separately by each property.

Each of the consolidated subsidiaries other than the Company and the Three Life Insurance Companies, groups real estate held for its own operations as a single category.

(2) Circumstances which led to the recognition of impairment losses

For some of insurance companies' asset groups for insurance operations, etc., book value was reduced to the recoverable amount and the reduced amount was recorded in extraordinary losses as impairment losses because the recoverable amount was below the book value.

For some rental properties, etc., book value was reduced to the recoverable amount and the reduced amount was recorded in extraordinary losses as impairment losses because of a significant drop in the market price and a decline in profitability due to the stagnant rental income level, etc.

(3) Impairment losses recognized by asset group and the breakdown of the amounts of impairment losses by fixed asset type

Year ended March 31, 2017		¥ millions			
Asset	Location	Software used in-house	Land	Buildings, etc.	Total
Insurance operations, etc.	Minato-ku, Tokyo, etc.	¥3,057	¥ —	¥251	¥3,308
Rental properties, etc.	Kofu City, Yamanashi Prefecture, etc. (7 assets)	¥ —	¥845	¥626	¥1,471

Year ended March 31, 2018		¥ millions			US\$ thousands
Asset	Location	Land	Buildings, etc.	Total	Total
Rental properties, etc.	Inazawa City, Aichi Prefecture, etc. (16 assets)	¥509	¥234	¥744	\$7,005

(4) Method for calculating the recoverable amount

The recoverable amount is based on the value in use for insurance operations, etc., and the value in use or net realizable value for rental properties, etc.

The value in use for insurance operations, etc., is calculated by discounting future cash flows by (0.18)%, and the value in use

for real estate owned for rental properties, etc., is calculated by discounting future cash flows by 5.60% - 6.00% for the fiscal year 2016. In principle, the net realizable value for real estate owned for rental properties is calculated by subtracting the estimated costs of disposal from the appraisal value calculated in accordance with the real estate appraisal standard.

Note 17 Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects regarding other comprehensive income are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Valuation difference on available-for-sale securities:			
Amount occurred during the year	¥(162,059)	¥ 67,882	\$ 638,957
Reclassification adjustments	(44,159)	(47,131)	(443,633)
Amount before tax effect	(206,218)	20,751	195,323
Tax effect	57,861	(5,987)	(56,354)
Valuation difference on available-for-sale securities	(148,357)	14,764	138,969
Deferred gains (losses) on hedging instruments:			
Amount occurred during the year	—	—	—
Reclassification adjustments	4,720	1,226	11,547
Amount before tax effect	4,720	1,226	11,547
Tax effect	(1,321)	(343)	(3,233)
Deferred gains (losses) on hedging instruments	3,398	883	8,314
Foreign currency translation adjustments:			
Amount occurred during the year	(0)	(0)	(1)
Share of other comprehensive income of associates accounted for using the equity method:			
Amount occurred during the year	(5)	(6)	(65)
Total other comprehensive income	¥(144,963)	¥ 15,640	\$ 147,216

Note 18 Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2017

(1) Type and number of issued shares and treasury shares

Year ended March 31, 2017	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
Issued shares:				
Common stock	681,480,000	—	—	681,480,000
Treasury shares:				
Common stock	32,723,022	16,289,732	86,980	48,925,774

Notes:

- Treasury shares of common stock increased due to the following reasons:
 - Purchase of treasury shares based on the resolution made at a board of directors meeting held on May 13, 2016: 13,525,600 shares
 - Purchase of treasury shares based on the resolution made at a board of directors meeting held on February 14, 2017: 2,755,000 shares
 - Purchase of odd-lot shares: 9,132 shares
- Treasury shares of common stock decreased due to the following reasons:
 - Exercise of stock option: 86,800 shares
 - Purchase request of odd-lot shares: 180 shares

(2) 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	¥1,178

(3) Shareholder dividends

a. Shareholder dividends paid

Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
		¥ millions		¥			
Ordinary General Meeting of Shareholders held on June 28, 2016	Common stock	¥19,462		¥30.0		March 31, 2016	June 29, 2016
Board of directors meeting held on November 11, 2016	Common stock	¥9,529		¥15.0		September 30, 2016	December 5, 2016

b. Shareholder dividends whose record date was in the fiscal year ended March 31, 2017, while their effective date was in the fiscal year ended March 31, 2018

Date of resolution	Type of shares	Amount of shareholder dividends		Underlying assets	Shareholder dividends per share		Record date	Effective date
		¥ millions			¥			
Ordinary General Meeting of Shareholders held on June 28, 2017	Common stock	¥11,069	Retained earnings	¥17.5		March 31, 2017	June 29, 2017	

For the year ended March 31, 2018

(1) Type and number of issued shares and treasury shares

Year ended March 31, 2018	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
Issued shares:				
Common stock	681,480,000	—	26,480,000	655,000,000
Treasury shares:				
Common stock	48,925,774	10,623,176	26,746,490	32,802,460

Notes:

- Issued shares of common stock decreased due to the following reason:
 - Retirement of treasury shares based on the resolution made at a board of directors meeting held on August 9, 2017: 26,480,000 shares
- Treasury shares of common stock increased due to the following reasons:
 - Purchase of treasury shares based on the resolution made at a board of directors meeting held on May 15, 2017: 10,612,300 shares
 - Purchase of odd-lot shares: 10,876 shares
- Treasury shares of common stock decreased due to the following reasons:
 - Retirement of treasury shares based on the resolution made at a board of directors meeting held on August 9, 2017: 26,480,000 shares
 - Exercise of stock option: 266,400 shares
 - Purchase request of odd-lot shares: 90 shares

(2) 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	¥1,216	\$11,449

(3) Shareholder dividends

a. Shareholder dividends paid

Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands	¥	US\$		
Ordinary General Meeting of Shareholders held on June 28, 2017	Common stock	¥11,069	\$104,195	¥17.5	\$0.16	March 31, 2017	June 29, 2017
Board of directors meeting held on November 13, 2017	Common stock	¥10,888	\$102,488	¥17.5	\$0.16	September 30, 2017	December 5, 2017

b. Shareholder dividends whose record date was in the fiscal year ended March 31, 2018, while their effective date is in the fiscal year ending March 31, 2019

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 General Meeting of Shareholders held on June 27, 2018	Common stock	¥12,443	\$117,130	Retained earnings	¥20.0	\$0.18	March 31, 2018	June 28, 2018

Note 19 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.

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Cash and deposits	¥ 862,425	¥ 776,510	\$7,309,017
Less: deposits with an original maturity of more than three months	(4,460)	(4,510)	(42,451)
Call loans	11,302	10,539	99,199
Monetary claims purchased	141,242	117,578	1,106,724
Less: monetary claims purchased other than cash equivalents	(125,242)	(101,578)	(956,123)
Cash and cash equivalents	¥ 885,267	¥ 798,538	\$7,516,366

Note 20 Lease Transactions**[As lessee]****(1) Finance leases**

- a. Ownership-transfer finance leases
 - (i) Details of the lease assets
 - Intangible fixed assets: software
 - (ii) Depreciation method for the lease assets

The same depreciation method applied to self-owned fixed assets is applied.
- b. Non-ownership-transfer finance leases
 - (i) Details of the lease assets
 - Tangible fixed assets: office appliances such as computer servers
 - Intangible fixed assets: software
 - (ii) Depreciation method for the lease assets

Straight-line method over the lease period is applied.

(2) Operating leases

Future lease payments under non-cancellable operating leases are as follows:

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Due within one year	¥ 8	¥6	\$63
Due after one year	5	1	12
Total	¥13	¥8	\$76

[As lessor]**(1) Lease investment assets**

- a. Other assets

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Other:			
Lease income receivables	¥32,060	¥34,681	\$326,446
Estimated residual value	418	473	4,458
Interest income	(2,653)	(2,837)	(26,706)
Total lease investment assets	¥29,826	¥32,318	\$304,198

- b. Projected collection amounts of lease income receivables related to lease receivables and lease investment assets after the consolidated closing dates

As of March 31, 2017	¥ millions	
	Lease receivables	Lease investment assets
Due within one year	¥1,760	¥8,383
Due after one year through two years	1,507	6,975
Due after two years through three years	1,260	5,461
Due after three years through four years	956	4,064
Due after four years through five years	647	2,791
Due after five years	1,129	4,382

As of March 31, 2018	¥ millions		US\$ thousands	
	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,762	¥8,758	\$16,587	\$82,438
Due after one year through two years	1,515	7,282	14,266	68,547
Due after two years through three years	1,200	5,913	11,300	55,665
Due after three years through four years	882	4,605	8,303	43,348
Due after four years through five years	631	3,233	5,944	30,439
Due after five years	1,060	4,887	9,986	46,007

Note 21 Tax-Effect Accounting

(1) Breakdown of the accrual of deferred tax assets and liabilities by main causes

As of March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Deferred tax assets:			
Policy reserves	¥ 64,236	¥ 63,984	\$ 602,262
Reserve for price fluctuations	57,306	61,432	578,246
Net defined benefit liability	31,087	29,897	281,419
Devaluation losses on securities	13,954	15,355	144,539
Deferred losses on disposal of fixed assets	5,656	5,485	51,634
Provision for bonuses	2,219	2,120	19,959
Tax loss carry-forward	1,376	1,257	11,839
Reserve for possible loan losses	501	464	4,373
Others	16,137	13,835	130,230
Subtotal	192,476	193,835	1,824,507
Valuation allowance	(16,410)	(16,535)	(155,643)
Total deferred tax assets	176,066	177,300	1,668,864
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(122,768)	(128,756)	(1,211,936)
Accrued dividend income	(2,062)	(2,262)	(21,298)
Deferred gain on reduction of book value of real estate	(631)	(624)	(5,880)
Others	(1,467)	(916)	(8,627)
Total deferred tax liabilities	(126,930)	(132,560)	(1,247,742)
Net deferred tax assets (liabilities)	¥ 49,135	¥ 44,739	\$ 421,121

(2) Breakdown of important differences between the statutory effective tax rate and the corporate tax rate, etc., after applying tax-effect accounting by main item of the causes

Years ended March 31,	2017	2018
Statutory tax rate	28.2%	28.2%
(Adjustments)		
Valuation allowance	(5.1)	(0.0)
Permanent non-deductible items including entertainment expense, etc.	0.6	0.6
Others	(1.6)	0.4
Effective tax rate	22.1%	29.2%

Note 22 **Financial Instruments**
(1) Matters related to the condition of financial instruments
a. Policy for handling financial instruments

T&D Life Group's main business is life insurance business.

The Group underwrites various classes of life insurance and invests the money collected as insurance premiums in financial assets including securities and loans.

In order to efficiently invest the insurance premiums trusted to us by the policyholders, the Group's asset management policy aims to build a portfolio which ensures long-term stable returns considering the characteristics of obligations involved in life insurance policies, based on the concept of ERM which integrally manages capital, profit, and risk, and at the same time, paying adequate attention to the soundness and public nature of the investments.

Derivative financial instruments are used to hedge fluctuation risks involved in our investment in financial instruments, as well as partially complement physical assets.

Furthermore, in order to pursue greater financial soundness, the Group has been financing the subordinated-class capital (bonds and borrowings).

b. Details and risks of financial instruments

Financial assets held by the Group mainly comprise securities and loans.

Securities 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 the details, hedged items 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.

c. Risk management system for financial instruments
(i) Overall risk management system

The Group, in consideration of the social and public nature of the life insurance business which is its main 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 the business characteristics and risk profiles of each of the Company including the Three Life Insurance Companies.

As an organizational structure, the Group Risk Management Committee has been established for the purpose of coordinated management of risks within the Group, and has a clear understanding of the status of various risks at each company including the Three Life Insurance Companies, through reports prepared on a regular or as-needed basis at each company using the unified risk management criteria. Further, the Company provides guidance and advice as appropriate to companies including the Three Life Insurance Companies, to carry out thorough risk management at each company and strengthen the Group's entire risk management system.

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 Auditing Department.

Furthermore, the Group has established the ERM committee to manage risks integrally with profit and capital on an economic value basis. Through the promotion and enhancement of ERM, the Group aims for steady and sustainable growth in its corporate value.

(ii) Management of market risk

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").

(iii) Management of credit risk

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.

(iv) Management of liquidity risk

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 the status of individual financial instruments, as well as by developing a management structure that enables smooth liquidation of assets for financing.

d. Supplementary notes concerning the matters related to fair value, etc., of financial instruments

Fair value is based on market price or rationally estimated fair value if the market price is not readily available.

Estimation of fair value requires the use of certain assumptions, etc. Therefore, the use of different assumptions, etc. may lead to a different value.

In addition, notional amounts of derivative financial instruments shown in "(2) Matters related to fair value, etc., of financial instruments" do not represent exposure to market risks.

(2) Matters related to fair value, etc., of financial instruments

The following tables show consolidated carrying amounts, fair values and differences. Financial instruments without readily obtainable fair value are not included. (See Annotation 2.)

	¥ millions		
As of March 31, 2017	Consolidated balance sheet amount	Fair value	Difference
Cash and deposits	¥ 862,425	¥ 862,425	¥ —
Treated as securities	33,000	33,000	—
Available-for-sale securities	33,000	33,000	—
Others	829,425	829,425	—
Call loans	11,302	11,302	—
Monetary claims purchased	141,242	145,443	4,200
Treated as securities	135,509	139,537	4,027
Held-to-maturity bonds	51,368	55,396	4,027
Available-for-sale securities	84,140	84,140	—
Others	5,732	5,905	172
Monetary trusts	583,476	614,417	30,941
Monetary trusts for trading purposes	6,195	6,195	—
Monetary trusts for held-to-maturity purposes	38,634	38,135	(499)
Monetary trusts for policy reserve-matching purposes	509,621	541,061	31,440
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	29,025	29,025	—
Securities	10,826,151	11,522,845	696,693
Trading securities	88,799	88,799	—
Held-to-maturity bonds	1,409,025	1,649,993	240,967
Policy reserve-matching bonds	2,735,848	3,191,574	455,726
Available-for-sale securities	6,592,477	6,592,477	—
Loans	1,683,760	1,750,504	66,744
Policy loans* ¹	127,553	142,389	14,843
Commercial loans* ¹	1,557,565	1,608,114	51,900
Reserve for possible loan losses* ²	(1,358)	—	—
Total assets	14,108,359	14,906,938	798,578
Short-term debentures	2,999	2,999	—
Bonds	50,095	51,046	951
Cash collateral received for bond-lending transactions within other liabilities	114,804	114,804	—
Borrowings within other liabilities	64,603	64,935	332
Total liabilities	232,502	233,786	1,283
Derivative financial instruments* ³ :			
Hedge accounting not applied	9,761	9,761	—
Hedge accounting applied	(29,942)	(28,816)	1,126
Total derivative financial instruments	¥ (20,181)	¥ (19,055)	¥ 1,126

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

¥ millions

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Cash and deposits	¥ 776,510	¥ 776,510	¥ —
Treated as securities	18,000	18,000	—
Available-for-sale securities	18,000	18,000	—
Others	758,510	758,510	—
Call loans	10,539	10,539	—
Monetary claims purchased	117,578	120,140	2,561
Treated as securities	116,405	118,799	2,393
Held-to-maturity bonds	33,332	35,726	2,393
Available-for-sale securities	83,072	83,072	—
Others	1,172	1,340	167
Monetary trusts	685,819	723,322	37,502
Monetary trusts for trading purposes	5,312	5,312	—
Monetary trusts for held-to-maturity purposes	38,291	38,443	151
Monetary trusts for policy reserve-matching purposes	605,469	642,820	37,351
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	36,745	36,745	—
Securities	11,194,328	11,874,881	680,553
Trading securities	64,079	64,079	—
Held-to-maturity bonds	1,253,563	1,458,766	205,203
Policy reserve-matching bonds	2,930,644	3,405,994	475,350
Available-for-sale securities	6,946,040	6,946,040	—
Loans	1,647,361	1,700,288	52,926
Policy loans* ¹	122,143	136,005	13,869
Commercial loans* ¹	1,526,456	1,564,282	39,056
Reserve for possible loan losses* ²	(1,238)	—	—
Total assets	14,432,137	15,205,681	773,544
Short-term debentures	6,000	6,000	—
Bonds	87,065	87,882	817
Cash collateral received for bond-lending transactions within other liabilities	109,943	109,943	—
Borrowings within other liabilities	75,072	75,244	172
Total liabilities	278,081	279,070	989
Derivative financial instruments* ³ :			
Hedge accounting not applied	8,723	8,723	—
Hedge accounting applied	33,438	34,331	892
Total derivative financial instruments	¥ 42,162	¥ 43,054	¥ 892

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

US\$ thousands

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Cash and deposits	\$ 7,309,017	\$ 7,309,017	\$ —
Treated as securities	169,427	169,427	—
Available-for-sale securities	169,427	169,427	—
Others	7,139,589	7,139,589	—
Call loans	99,199	99,199	—
Monetary claims purchased	1,106,724	1,130,837	24,112
Treated as securities	1,095,684	1,118,216	22,532
Held-to-maturity bonds	313,747	336,280	22,532
Available-for-sale securities	781,936	781,936	—
Others	11,040	12,620	1,580
Monetary trusts	6,455,380	6,808,382	353,001
Monetary trusts for trading purposes	50,007	50,007	—
Monetary trusts for held-to-maturity purposes	360,423	361,853	1,429
Monetary trusts for policy reserve-matching purposes	5,699,076	6,050,648	351,571
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	345,872	345,872	—
Securities	105,368,300	111,774,111	6,405,811
Trading securities	603,153	603,153	—
Held-to-maturity bonds	11,799,353	13,730,861	1,931,507
Policy reserve-matching bonds	27,585,136	32,059,440	4,474,303
Available-for-sale securities	65,380,655	65,380,655	—
Loans	15,506,041	16,004,218	498,176
Policy loans* ¹	1,149,692	1,280,171	130,551
Commercial loans* ¹	14,368,004	14,724,046	367,624
Reserve for possible loan losses* ²	(11,654)	—	—
Total assets	135,844,664	143,125,767	7,281,102
Short-term debentures	56,475	56,475	—
Bonds	819,512	827,202	7,690
Cash collateral received for bond-lending transactions within other liabilities	1,034,860	1,034,860	—
Borrowings within other liabilities	706,630	708,253	1,623
Total liabilities	2,617,479	2,626,792	9,313
Derivative financial instruments* ³ :			
Hedge accounting not applied	82,111	82,111	—
Hedge accounting applied	314,748	323,147	8,399
Total derivative financial instruments	\$ 396,859	\$ 405,258	\$ 8,399

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in the consolidated balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. In the case of net liabilities, amounts are shown in parentheses.

Annotation 1.

Matters relating to the calculation method for the fair value of financial instruments as well as securities and derivative transactions.

Assets

- a. Cash and deposits: mainly recorded in book values as their market values are proximate to the book values.
- b. Call loans: recorded in book values as these are settled in a short period, thus their market values are proximate to the book values.

- c. Monetary claims purchased: Those which are deemed appropriate to treat as securities are recorded in the same way as securities, while others which are deemed appropriate to treat as loan receivable are recorded in the same way as loans.
- d. 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, etc., are used in monetary trusts where their market values are calculated based on prices quoted by the counterparty financial institutions.

e. Securities: Market values of securities are mainly based on their prices quoted on the stock exchange concerned, while those of bonds are based 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 prices, etc.

See "Note 23 Securities" for notes related to securities by holding purposes.

f. Loans:

(i) Policy loans: Fair value is calculated by discounting the expected future cash flow derived from the repayment rate based on the past actual repayment performance by the risk-free rate.

(ii) Commercial loans: A variable interest rate loan reflects the market interest rate in a short period. Therefore, it is basically recorded at book value as its fair value is proximate to the book value unless the borrower's credit standing significantly changes after the loan is provided.

Fair value of fixed interest rate loans is calculated by discounting the total of principal and interest by risk-free rates weighted by credit risks involved.

For loans to bankrupt companies, loans to effectively bankrupt companies and loans to potentially bankrupt companies, since estimated uncollectable amounts are calculated based on the present value of the estimated future cash flows or estimated amounts recoverable

through pledge or guarantee, fair values are proximate to consolidated balance sheet amounts less uncollectable amounts at the consolidated closing date. These values are recorded as fair values.

However, for compound financial instruments, fair values are based on their prices quoted by the underwriting financial institutions.

Liabilities

- a. Short-term debentures: Fair values are recorded in book values. Fair values are proximate to book values because these are settled in a short period.
- b. Bonds: Fair values are based on the price provided from the counterparty financial institutions or calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.
- c. Cash collateral received for bond-lending transactions: Fair values are recorded in book values. Fair values are proximate to book values because these are short-term transactions.
- d. Borrowings: Market values are calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.

Derivative transactions: see "Note 25 Derivative Transactions."

Annotation 2.

The carrying amounts of financial instruments without readily obtainable fair value, which are not included in "e. Securities" of "(2) Matters related to fair value, etc., of financial instruments," are summarized as follows:

As of March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Investments in affiliates	¥ 350	¥ 410	\$ 3,861
Available-for-sale securities	175,450	182,294	1,715,873
Unlisted stocks *1, *2	19,290	19,523	183,771
Foreign securities *1, *2, *3	142,135	145,140	1,366,155
Other securities *2, *3	14,025	17,630	165,946

*1. Unlisted stocks are exempt from disclosure of fair value because fair value is considered extremely difficult to obtain due to the lack of market value.

*2. Impairment losses:

– For the year ended March 31, 2017: foreign securities of ¥273 million and other securities of ¥101 million.

– For the year ended March 31, 2018: foreign securities of ¥5,818 million [\$54,766 thousand] and other securities of ¥369 million [\$3,473 thousand].

*3. Investment in capital of partnership which is included in other securities is exempt from disclosure of fair value because the partnership assets comprise financial instruments without readily obtainable fair value such as unlisted stocks.

Annotation 3.

Scheduled redemption amounts after the consolidated closing date for monetary claims and fixed-maturity securities are as follows:

	¥ millions			
As of March 31, 2017	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	¥862,039	¥ —	¥ —	¥ —
Call loans	11,302	—	—	—
Monetary claims purchased	16,059	5,733	293	112,064
Securities:				
Held-to-maturity bonds:				
Government bonds	25,380	392,622	124,603	609,314
Municipal bonds	100	13,495	700	38,101
Corporate bonds	1,500	33,806	26,010	168,552
Policy reserve-matching bonds:				
Government bonds	10,573	87,911	220,700	1,504,348
Municipal bonds	1,450	11,836	45,110	110,030
Corporate bonds	13,900	73,460	102,610	527,200
Available-for-sale fixed maturity securities:				
Government bonds	18,600	66,671	74,315	459,819
Municipal bonds	51,088	85,153	19,320	13,838
Corporate bonds	193,320	431,484	245,161	159,392
Foreign securities	125,386	516,007	1,299,920	505,426
Other securities	1	6	1	—
Loans	239,860	632,402	516,128	158,906

* Securities without contractual maturity dates in the amount of ¥761,781 million are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥137,789 million are not included.

	¥ millions			
As of March 31, 2018	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	¥776,310	¥ —	¥ —	¥ —
Call loans	10,539	—	—	—
Monetary claims purchased	16,057	950	293	93,395
Securities:				
Held-to-maturity bonds:				
Government bonds	19,256	456,563	45,916	551,771
Municipal bonds	—	13,495	4,564	25,502
Corporate bonds	1,631	36,265	20,595	95,560
Policy reserve-matching bonds:				
Government bonds	59,153	34,772	263,734	1,580,414
Municipal bonds	9,036	6,710	41,200	137,530
Corporate bonds	26,160	71,580	94,230	567,100
Foreign securities	—	—	6,250	8,835
Available-for-sale fixed maturity securities:				
Government bonds	100	75,390	77,204	434,943
Municipal bonds	32,775	53,200	18,555	22,524
Corporate bonds	156,468	340,236	254,725	215,053
Foreign securities	83,395	637,355	1,302,771	533,654
Other securities	1	3	1	—
Loans	183,036	615,172	534,666	193,358

US\$ thousands

As of March 31, 2018	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	\$7,307,141	\$ —	\$ —	\$ —
Call loans	99,199	—	—	—
Monetary claims purchased	151,140	8,943	2,760	879,100
Securities:				
Held-to-maturity bonds:				
Government bonds	181,250	4,297,476	432,191	5,193,631
Municipal bonds	—	127,032	42,962	240,044
Corporate bonds	15,352	341,354	193,853	899,478
Policy reserve-matching bonds:				
Government bonds	556,786	327,296	2,482,435	14,875,884
Municipal bonds	85,052	63,158	387,801	1,294,521
Corporate bonds	246,234	673,757	886,954	5,337,914
Foreign securities	—	—	58,834	83,162
Available-for-sale fixed maturity securities:				
Government bonds	941	709,619	726,694	4,093,973
Municipal bonds	308,499	500,761	174,657	212,019
Corporate bonds	1,472,779	3,202,525	2,397,637	2,024,221
Foreign securities	784,977	5,999,207	12,262,536	5,023,100
Other securities	18	37	10	—
Loans	1,722,861	5,790,403	5,032,626	1,820,017

* Securities without contractual maturity dates in the amount of ¥ 868,722 million [\$8,176,978 thousand] are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥ 122,321 million [\$1,151,365 thousand] are not included.

Annotation 4.

Scheduled repayment amounts after the consolidated closing date for bonds, borrowings, and other liabilities are as follows:

¥ millions

As of March 31, 2017	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	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	30,000	—	20,000
Cash collateral received for bond-lending transactions within other liabilities	114,804	—	—	—	—	—
Borrowings within other liabilities	11,838	9,469	7,227	4,132	1,540	30,397

¥ millions

As of March 31, 2018	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	¥ 6,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	30,000	—	—	57,000
Cash collateral received for bond-lending transactions within other liabilities	109,943	—	—	—	—	—
Borrowings within other liabilities	11,175	8,933	5,838	3,159	1,447	44,520

US\$ thousands

As of March 31, 2018	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	\$ 56,475	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	282,379	—	—	536,521
Cash collateral received for bond-lending transactions within other liabilities	1,034,860	—	—	—	—	—
Borrowings within other liabilities	105,187	84,083	54,951	29,735	13,620	419,051

Note 23 Securities**(1) Trading securities**

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥(7,609)	¥(2,651)	\$(24,958)

(2) Held-to-maturity bonds

	¥ millions		
As of March 31, 2017	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥1,402,926	¥1,644,317	¥241,391
Government bonds	1,127,214	1,313,135	185,920
Municipal bonds	52,967	63,014	10,046
Corporate bonds	222,745	268,168	45,423
Other securities	51,368	55,396	4,027
Total	1,454,295	1,699,714	245,418
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	6,099	5,675	(423)
Government bonds	6,099	5,675	(423)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other securities	—	—	—
Total	6,099	5,675	(423)
Grand total	¥1,460,394	¥1,705,389	¥244,995

Note: Other securities include beneficiary trust certificates (consolidated balance sheet amount of ¥51,368 million) which are represented as monetary claims purchased in the consolidated balance sheet.

	¥ millions		
As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥1,249,167	¥1,454,655	¥205,487
Government bonds	1,050,936	1,221,587	170,650
Municipal bonds	44,013	51,881	7,868
Corporate bonds	154,217	181,186	26,968
Other securities	33,332	35,726	2,393
Total	1,282,500	1,490,382	207,881
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	4,395	4,111	(284)
Government bonds	4,395	4,111	(284)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other securities	—	—	—
Total	4,395	4,111	(284)
Grand total	¥1,286,895	¥1,494,493	¥207,597

US\$ thousands

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	\$11,757,979	\$13,692,165	\$1,934,186
Government bonds	9,892,096	11,498,373	1,606,277
Municipal bonds	414,285	488,346	74,061
Corporate bonds	1,451,597	1,705,445	253,847
Other securities	313,747	336,280	22,532
Total	12,071,726	14,028,446	1,956,719
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	41,374	38,695	(2,678)
Government bonds	41,374	38,695	(2,678)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other securities	—	—	—
Total	41,374	38,695	(2,678)
Grand total	\$12,113,101	\$14,067,141	\$1,954,040

Note: Other securities include beneficiary trust certificates (consolidated balance sheet amount of ¥33,332 million [\$313,747 thousand]) which are represented as monetary claims purchased in the consolidated balance sheet.

(3) Policy reserve-matching bonds

¥ millions

As of March 31, 2017	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥2,553,648	¥3,026,083	¥472,435
Government bonds	1,770,649	2,106,234	335,584
Municipal bonds	141,764	166,911	25,146
Corporate bonds	641,233	752,937	111,703
Total	2,553,648	3,026,083	472,435
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	182,200	165,491	(16,709)
Government bonds	74,136	69,850	(4,285)
Municipal bonds	26,717	23,714	(3,003)
Corporate bonds	81,346	71,926	(9,419)
Total	182,200	165,491	(16,709)
Grand total	¥2,735,848	¥3,191,574	¥455,726

¥ millions

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	¥2,748,210	¥3,235,719	¥487,509
Government bonds	1,913,755	2,262,255	348,499
Municipal bonds	169,333	195,120	25,787
Corporate bonds	665,121	778,343	113,222
Foreign securities	4,956	5,008	52
Foreign bonds	4,956	5,008	52
Total	2,753,166	3,240,727	487,561
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	165,583	153,690	(11,893)
Government bonds	41,764	39,030	(2,733)
Municipal bonds	25,317	23,055	(2,261)
Corporate bonds	98,501	91,603	(6,898)
Foreign securities	11,895	11,577	(317)
Foreign bonds	11,895	11,577	(317)
Total	177,478	165,267	(12,211)
Grand total	¥2,930,644	¥3,405,994	¥475,350

US\$ thousands

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Fair value exceeding consolidated balance sheet amount:			
Domestic bonds	\$25,867,942	\$30,456,695	\$4,588,753
Government bonds	18,013,513	21,293,817	3,280,304
Municipal bonds	1,593,874	1,836,599	242,724
Corporate bonds	6,260,554	7,326,278	1,065,724
Foreign securities	46,649	47,138	489
Foreign bonds	46,649	47,138	489
Total	25,914,591	30,503,834	4,589,242
Fair value not exceeding consolidated balance sheet amount:			
Domestic bonds	1,558,579	1,446,632	(111,947)
Government bonds	393,117	367,384	(25,732)
Municipal bonds	238,301	217,016	(21,284)
Corporate bonds	927,161	862,232	(64,929)
Foreign securities	111,965	108,972	(2,992)
Foreign bonds	111,965	108,972	(2,992)
Total	1,670,545	1,555,605	(114,939)
Grand total	\$27,585,136	\$32,059,440	\$4,474,303

(4) Available-for-sale securities

¥ millions

As of March 31, 2017	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥1,369,061	¥1,291,625	¥ 77,435
Government bonds	249,799	215,826	33,972
Municipal bonds	164,827	157,180	7,646
Corporate bonds	954,434	918,617	35,816
Domestic equities	694,831	404,718	290,112
Foreign securities	2,137,853	1,998,663	139,189
Foreign bonds	1,547,734	1,440,557	107,176
Foreign equities	9,194	8,100	1,094
Foreign other securities	580,924	550,005	30,918
Other securities	265,186	224,499	40,686
Total	4,466,932	3,919,507	547,424
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	711,792	749,155	(37,362)
Government bonds	422,142	450,704	(28,561)
Municipal bonds	11,603	12,707	(1,104)
Corporate bonds	278,046	285,743	(7,696)
Domestic equities	54,290	58,231	(3,941)
Foreign securities	1,380,119	1,454,132	(74,013)
Foreign bonds	1,159,724	1,228,180	(68,456)
Foreign equities	15,456	16,865	(1,409)
Foreign other securities	204,938	209,086	(4,147)
Other securities	96,483	97,285	(801)
Total	2,242,686	2,358,805	(116,118)
Grand total	¥6,709,618	¥6,278,312	¥ 431,305

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥33,000 million) which are represented as cash and deposits, commercial paper (consolidated balance sheet amount of ¥15,999 million) and beneficiary trust certificates (consolidated balance sheet amount of ¥68,141 million) which are represented as monetary claims purchased in the consolidated balance sheet.

¥ millions

As of March 31, 2018	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	¥1,473,666	¥1,374,322	¥ 99,343
Government bonds	316,322	275,741	40,580
Municipal bonds	124,319	116,024	8,294
Corporate bonds	1,033,024	982,555	50,468
Domestic equities	779,252	434,490	344,761
Foreign securities	1,472,951	1,380,250	92,700
Foreign bonds	1,031,284	967,819	63,465
Foreign equities	8,012	7,244	768
Foreign other securities	433,654	405,186	28,467
Other securities	357,148	302,412	54,736
Total	4,083,017	3,491,475	591,542
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	590,219	619,818	(29,598)
Government bonds	340,763	357,961	(17,198)
Municipal bonds	10,469	11,497	(1,028)
Corporate bonds	238,987	250,359	(11,371)
Domestic equities	27,159	29,693	(2,533)
Foreign securities	2,286,982	2,399,934	(112,952)
Foreign bonds	1,697,972	1,795,296	(97,323)
Foreign equities	17,023	17,761	(738)
Foreign other securities	571,986	586,876	(14,890)
Other securities	59,734	60,567	(833)
Total	2,964,096	3,110,014	(145,917)
Grand total	¥7,047,113	¥6,601,489	¥ 445,624

US\$ thousands

As of March 31, 2018	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost:			
Domestic bonds	\$13,871,105	\$12,936,015	\$ 935,089
Government bonds	2,977,434	2,595,463	381,971
Municipal bonds	1,170,174	1,092,099	78,075
Corporate bonds	9,723,495	9,248,453	475,041
Domestic equities	7,334,828	4,089,709	3,245,118
Foreign securities	13,864,374	12,991,812	872,561
Foreign bonds	9,707,124	9,109,746	597,377
Foreign equities	75,415	68,186	7,229
Foreign other securities	4,081,834	3,813,879	267,954
Other securities	3,361,709	2,846,498	515,210
Total	38,432,017	32,864,036	5,567,980
Consolidated balance sheet amount not exceeding acquisition cost:			
Domestic bonds	5,555,533	5,834,135	(278,601)
Government bonds	3,207,485	3,369,367	(161,881)
Municipal bonds	98,541	108,221	(9,679)
Corporate bonds	2,249,506	2,356,546	(107,040)
Domestic equities	255,646	279,496	(23,849)
Foreign securities	21,526,564	22,589,744	(1,063,179)
Foreign bonds	15,982,422	16,898,496	(916,073)
Foreign equities	160,236	167,184	(6,947)
Foreign other securities	5,383,905	5,524,062	(140,157)
Other securities	562,257	570,100	(7,843)
Total	27,900,002	29,273,476	(1,373,473)
Grand total	\$66,332,019	\$62,137,512	\$ 4,194,507

Note: Other securities include certificates of deposit (consolidated balance sheet amount of ¥18,000 million [\$169,427 thousand]) which are represented as cash and deposits, commercial paper (consolidated balance sheet amount of ¥15,999 million [\$150,600 thousand]) and beneficiary trust certificates (consolidated balance sheet amount of ¥67,073 million [\$631,335 thousand]) which are represented as monetary claims purchased in the consolidated balance sheet.

(5) Sales of securities classified as held-to-maturity bonds

There were no sales of securities classified as held-to-maturity bonds for the year ended March 31, 2017.

As of March 31, 2018	Cost of sales	Proceeds of sales	Gross gains	Gross losses
¥ millions				
Domestic bonds	¥8,263	¥11,109	¥2,845	¥—
Government bonds	8,263	11,109	2,845	—
Municipal bonds	—	—	—	—
Corporate bonds	—	—	—	—
Total	¥8,263	¥11,109	¥2,845	¥—

As of March 31, 2018	Cost of sales	Proceeds of sales	Gross gains	Gross losses
US\$ thousands				
Domestic bonds	\$77,784	\$104,566	\$26,781	\$—
Government bonds	77,784	104,566	26,781	—
Municipal bonds	—	—	—	—
Corporate bonds	—	—	—	—
Total	\$77,784	\$104,566	\$26,781	\$—

Reason for the sales: At Taiyo Life Insurance Company, investment policy was changed from the ALM standpoint considering that a certain period had passed since the suspension of sales of single-premium individual annuity insurance which belongs to single-premium whole life/annuity insurance asset segment. As a result, some of held-to-maturity bonds in this asset segment were sold before their maturity dates.

(6) Sales of securities classified as policy reserve-matching bonds

Year ended March 31, 2017	¥ millions		
	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥40,127	¥6,329	¥4
Government bonds	37,418	5,986	4
Municipal bonds	—	—	—
Corporate bonds	2,709	343	—
Total	¥40,127	¥6,329	¥4

Year ended March 31, 2018	¥ millions		
	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥27,075	¥4,250	¥12
Government bonds	20,985	3,156	12
Municipal bonds	—	—	—
Corporate bonds	6,089	1,094	—
Total	¥27,075	¥4,250	¥12

Year ended March 31, 2018	US\$ thousands		
	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	\$254,851	\$40,007	\$117
Government bonds	197,531	29,709	117
Municipal bonds	—	—	—
Corporate bonds	57,319	10,298	—
Total	\$254,851	\$40,007	\$117

(7) Sales of securities classified as available-for-sale securities

Year ended March 31, 2017	¥ millions		
	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥ 153,725	¥ 14,776	¥ 3,356
Government bonds	147,692	13,710	3,356
Municipal bonds	2,462	463	—
Corporate bonds	3,569	602	—
Domestic equities	217,033	56,278	5,948
Foreign securities	700,776	30,011	36,360
Foreign bonds	618,444	25,807	29,388
Foreign equities	640	12	40
Foreign other securities	81,691	4,191	6,931
Other securities	94,729	3,680	12,055
Total	¥1,166,263	¥104,747	¥57,720

Year ended March 31, 2018	¥ millions		
	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	¥ 89,834	¥ 5,455	¥ 948
Government bonds	66,621	4,608	838
Municipal bonds	503	0	—
Corporate bonds	22,709	846	109
Domestic equities	91,521	35,048	1,195
Foreign securities	502,277	21,595	15,926
Foreign bonds	453,942	17,199	15,775
Foreign equities	253	1	7
Foreign other securities	48,081	4,395	142
Other securities	60,908	9,290	14
Total	¥744,541	¥71,390	¥18,084

US\$ thousands

Year ended March 31, 2018	Proceeds of sales	Gross gains	Gross losses
Domestic bonds	\$ 845,582	\$ 51,354	\$ 8,928
Government bonds	627,086	43,376	7,893
Municipal bonds	4,737	8	—
Corporate bonds	213,758	7,969	1,034
Domestic equities	861,456	329,898	11,249
Foreign securities	4,727,763	203,272	149,906
Foreign bonds	4,272,798	161,888	148,491
Foreign equities	2,387	11	71
Foreign other securities	452,577	41,371	1,343
Other securities	573,306	87,446	139
Total	\$7,008,109	\$671,972	\$170,223

(8) Change in holding purpose of securities

Due to the sales of held-to-maturity bonds by Taiyo Life Insurance Company stated in “(5) Sales of securities classified as held-to-maturity bonds,” the holding purpose of remaining held-to-maturity bonds in the single-premium whole life/annuity insurance asset segment was changed to available-for-sale securities in the fiscal years ended March 31, 2018. Due to this change, securities and valuation difference on available-for-sale securities increased by ¥34,920 million [\$328,693 thousand] and ¥25,142 million [\$236,659 thousand], respectively, and deferred tax assets decreased by ¥9,777 million [\$92,034 thousand].

(9) Impairment of securities

The Company and its consolidated subsidiaries recognized ¥478 million and ¥5 million [\$56 thousand] as impairment losses for the available-for-sale securities with readily obtainable fair value for the fiscal years ended March 31, 2017 and 2018, respectively.

The Company and its consolidated subsidiaries recognize impairment losses on the securities if fair value as of the end of the fiscal year declines by 30% or more from their acquisition cost.

Note 24 Monetary Trusts

(1) Monetary trusts for trading purposes

As of March 31,	2017	¥ millions	US\$ thousands
Valuation difference included in earnings (losses) of the consolidated fiscal year	¥592	¥720	\$6,779

(2) Monetary trusts for held-to-maturity purposes

As of March 31, 2017	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥38,634	¥38,135	¥(499)

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥38,291	¥38,443	¥151

As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	\$360,423	\$361,853	\$1,429

(3) Monetary trusts for policy reserve-matching purposes

	¥ millions		
As of March 31, 2017	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥509,621	¥541,061	¥31,440

	¥ millions		
As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	¥605,469	¥642,820	¥37,351

	US\$ thousands		
As of March 31, 2018	Consolidated balance sheet amount	Fair value	Difference
Monetary trusts	\$5,699,076	\$6,050,648	\$351,571

(4) Monetary trusts for those other than trading, held-to-maturity or policy reserve-matching purposes

	¥ millions		
As of March 31, 2017	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	¥29,025	¥28,670	¥355

	¥ millions		
As of March 31, 2018	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	¥36,745	¥37,609	¥(863)

	US\$ thousands		
As of March 31, 2018	Consolidated balance sheet amount	Acquisition cost	Difference
Monetary trusts	\$345,872	\$354,000	\$(8,128)

Note 25 Derivative Transactions
(1) Derivative financial instruments for which hedge accounting is not applied

a. Currency-related transactions

¥ millions				
As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥ 79,948	¥—	¥1,100	¥1,100
U.S. dollar	27,525	—	624	624
Euro	17,750	—	33	33
British pound	8,559	—	185	185
Australian dollar	24,696	—	250	250
New Zealand dollar	1,416	—	7	7
Bought	399	—	0	0
U.S. dollar	55	—	0	0
Euro	343	—	0	0
Currency swaps:				
Receive foreign currency/pay yen	147,227	—	915	915
U.S. dollar	14,232	—	(187)	(187)
Australian dollar	132,994	—	1,102	1,102
Total				¥2,017

Notes:

1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

Currency swaps are carried out using management trusts and the fair value 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.

¥ millions				
As of March 31, 2018	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥50,147	¥—	¥ 697	¥ 697
U.S. dollar	30,576	—	314	314
Euro	12,597	—	138	138
British pound	4,541	—	78	78
Canadian dollar	289	—	22	22
Australian dollar	2,141	—	143	143
Bought	5,331	—	(6)	(6)
U.S. dollar	3,797	—	(3)	(3)
Euro	1,497	—	(3)	(3)
Australian dollar	35	—	(0)	(0)
Currency swaps:				
Receive yen/pay foreign currency	1,860	—	1	1
Brazilian Real	1,860	—	1	1
Receive foreign currency/pay yen	18,765	—	(931)	(931)
U.S. dollar	735	—	(38)	(38)
Australian dollar	18,030	—	(893)	(893)
Total				¥(239)

US\$ thousands

As of March 31, 2018	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	\$472,023	\$—	\$ 6,566	\$ 6,566
U.S. dollar	287,810	—	2,958	2,958
Euro	118,578	—	1,304	1,304
British pound	42,747	—	735	735
Canadian dollar	2,726	—	216	216
Australian dollar	20,160	—	1,351	1,351
Bought	50,183	—	(65)	(65)
U.S. dollar	35,746	—	(29)	(29)
Euro	14,098	—	(34)	(34)
Australian dollar	338	—	(2)	(2)
Currency swaps:				
Receive yen/pay foreign currency	17,507	—	15	15
Brazilian Real	17,507	—	15	15
Receive foreign currency/pay yen	176,635	—	(8,767)	(8,767)
U.S. dollar	6,918	—	(360)	(360)
Australian dollar	169,716	—	(8,406)	(8,406)
Total				\$ (2,250)

Notes:

1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

Currency swaps are carried out using management trusts and the fair value 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.

b. Interest-related transactions

¥ millions

As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	¥19,672	¥18,642	¥7,743	¥7,743
Total				¥7,743

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or based on prices obtained from counterparty financial institutions.

¥ millions

As of March 31, 2018	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	¥17,731	¥16,778	¥8,962	¥8,962
Total				¥8,962

US\$ thousands

As of March 31, 2018	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed/pay floating	\$166,903	\$157,930	\$84,361	\$84,361
Total				\$84,361

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or based on prices obtained from counterparty financial institutions.

T&D Financial Life uses monetary trusts to execute derivative transactions. The following tables show a summary of the notional amount and fair value of derivative financial instruments.

As of March 31, 2017	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Foreign exchange contracts:				
Sold	¥99,308	¥ —	¥1,119	¥ 1,119
U.S. dollar	8,812	—	201	201
Australian dollar	90,496	—	918	918
Currency options:				
Bought:				
Put	3,508	2,636		
	[836]	[651]	336	(499)
U.S. dollar	1,974	1,505		
	[513]	[403]	170	(343)
Euro	1,534	1,130		
	[322]	[247]	166	(156)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	78	56		
	[26]	[18]	71	45
Put	18,839	13,681		
	[4,625]	[3,541]	708	(3,917)
Total				¥(3,251)

Notes:

1. Calculation method of fair value

Fair value is based on the price obtained from trustee companies or counterparty financial institutions.

2. Figures in square brackets represent option premiums that are reported on the consolidated balance sheet.

As of March 31, 2018	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency options:				
Bought:				
Put	2,636	1,985		
	[651]	[505]	228	(422)
U.S. dollar	1,505	1,128		
	[403]	[313]	163	(240)
Euro	1,130	857		
	[247]	[192]	65	(181)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	56	32		
	[18]	[10]	53	35
Put	13,675	10,321		
	[3,541]	[2,646]	301	(3,239)
Total				¥(3,626)

US\$ thousands

As of March 31, 2018	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Currency options:				
Bought:				
Put				
	24,812	18,691		
	[6,129]	[4,757]	2,153	(3,976)
U.S. dollar	14,168	10,622		
	[3,800]	[2,949]	1,535	(2,264)
Euro	10,644	8,068		
	[2,329]	[1,807]	617	(1,711)
Stock-related transactions:				
Stock index options:				
Bought:				
Call				
	527	301		
	[173]	[96]	508	334
Put	128,725	97,149		
	[33,331]	[24,914]	2,839	(30,492)
Total				\$(34,134)

Notes:

1. Calculation method of fair value

Fair value is based on prices obtained from counterparty financial institutions.

2. Figures in square brackets 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, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold				
	Foreign currency-denominated assets	¥2,754,254	¥ —	¥(29,434)
U.S. dollar		1,796,199	—	(28,801)
Euro		526,541	—	1,678
British pound		188,020	—	1,373
Canadian dollar		134,955	—	(1,449)
Australian dollar		89,771	—	(1,571)
Mexican peso		3,134	—	(223)
New Zealand dollar		11,339	—	(379)
Polish zloty		4,292	—	(61)
Bought				
Euro		16,554	—	20
		16,554	—	20
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold				
	Certificates of deposit in foreign currencies	56,000	—	—
U.S. dollar		6,000	—	—
Australian dollar		50,000	—	—
Currency swaps:				
Receive yen/pay foreign currency				
	Foreign currency-denominated loans	18,961	18,961	—
U.S. dollar		18,961	18,961	—
Total				¥(29,413)

Notes:

1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

2. Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans because they are the hedged assets for each of these contracts and the assets are treated as a unit.

¥ millions

As of March 31, 2018	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold	Foreign currency-denominated assets	¥2,811,894	¥ —	¥30,986
U.S. dollar		1,877,531	—	16,849
Euro		542,632	—	6,554
British pound		181,572	—	1,504
Canadian dollar		121,750	—	4,442
Australian dollar		59,671	—	1,606
Mexican peso		1,702	—	(20)
New Zealand dollar		22,014	—	(116)
Polish zloty		5,019	—	166
Bought		13,258	—	(3)
U.S. dollar		13,258	—	(3)
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold	Certificates of deposit in foreign currencies	50,000	—	—
U.S. dollar		5,000	—	—
Australian dollar		45,000	—	—
Currency swaps:				
Receive yen/pay foreign currency	Foreign currency-denominated loans	32,297	32,297	—
U.S. dollar		32,297	32,297	—
Total				¥30,983

US\$ thousands

As of March 31, 2018	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold	Foreign currency-denominated assets	\$26,467,378	\$ —	\$291,666
U.S. dollar		17,672,547	—	158,597
Euro		5,107,607	—	61,691
British pound		1,709,081	—	14,159
Canadian dollar		1,145,993	—	41,813
Australian dollar		561,670	—	15,123
Mexican peso		16,021	—	(191)
New Zealand dollar		207,211	—	(1,098)
Polish zloty		47,244	—	1,569
Bought		124,800	—	(30)
U.S. dollar		124,800	—	(30)
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold	Certificates of deposit in foreign currencies	470,632	—	—
U.S. dollar		47,063	—	—
Australian dollar		423,569	—	—
Currency swaps:				
Receive yen/pay foreign currency	Foreign currency-denominated loans	304,009	304,009	—
U.S. dollar		304,009	304,009	—
Total				\$291,636

Notes:

1. Calculation method of fair value

Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

2. Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans because they are the hedged assets for each of these contracts and the assets are treated as a unit.

b. Interest-related transactions

¥ millions				
As of March 31, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥66,239	¥50,259	¥1,126
Total				¥1,126

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or prices obtained from counterparty financial institutions.

¥ millions				
As of March 31, 2018	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	¥49,960	¥45,298	¥892
Total				¥892

US\$ thousands				
As of March 31, 2018	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed/pay floating	Loans	\$470,260	\$426,379	\$8,399
Total				\$8,399

Note: Calculation method of fair value

Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or prices obtained from counterparty financial institutions.

c. Stock-related transactions

¥ millions				
As of March 31, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥138,953	¥—	¥(529)
Total				¥(529)

Note: Calculation method of fair value

Fair value is calculated based on prices obtained from counterparty financial institutions.

¥ millions				
As of March 31, 2018	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥45,100	¥—	¥2,455
Total				¥2,455

US\$ thousands

US\$ thousands				
As of March 31, 2018	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	\$424,513	\$—	\$23,112
Total				\$23,112

Note: Calculation method of fair value

Fair value is calculated based on prices obtained from counterparty financial institutions.

Note 26 **Employees' Retirement Benefits**
(1) Overview of the retirement benefit plan adopted by the T&D Life Group

Domestic consolidated 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

a. Reconciliations of the beginning- and end-of-the-year balances of retirement benefit obligations are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Balance at the beginning of the year	¥157,819	¥155,716	\$1,465,706
Service cost	6,715	6,369	59,949
Interest cost	690	876	8,254
Actuarial gains and losses	(1,885)	1,959	18,446
Retirement benefit paid	(7,521)	(7,172)	(67,511)
Accrual of past service costs	(102)	(3,510)	(33,040)
Balance at the end of the year	¥155,716	¥154,239	\$1,451,804

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is recorded in service cost.

b. Reconciliations of the beginning- and end-of-the-year balances of pension plan assets are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Balance at the beginning of the year	¥98,088	¥ 99,168	\$933,441
Expected return on plan assets	755	920	8,667
Net actuarial gains and losses	(1,455)	1,347	12,682
Employer contribution	7,201	7,440	70,033
Benefit obligation paid	(5,420)	(5,402)	(50,849)
Balance at the end of the year	¥99,168	¥103,475	\$973,975

c. Reconciliations of retirement benefit obligations and pension plan assets to net defined benefit liabilities and net defined benefit assets stated in the consolidated balance sheet are as follows:

As of March 31,	2017	¥ millions 2018	US\$ thousands 2018
Retirement benefit obligations for funded plans	¥128,616	¥127,383	\$1,199,012
Plan assets	(99,168)	(103,475)	(973,975)
Employee pension trusts	[(60,184)]	[(62,124)]	[(584,753)]
	29,447	23,907	225,036
Retirement benefit obligations for unfunded plans	27,100	26,856	252,791
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	56,547	50,764	477,828
Defined benefit liability	56,547	50,764	477,828
Defined benefit asset	—	—	—
Net value for defined benefit liability and defined benefit asset stated in the consolidated balance sheet	¥ 56,547	¥ 50,764	\$ 477,828

d. Components of retirement benefit expense are as follows:

Years ended March 31,	2017	¥ millions	US\$ thousands
		2018	2018
Service cost	¥6,715	¥6,369	\$59,949
Interest cost	690	876	8,254
Expected return on plan assets	(755)	(920)	(8,667)
Recognized actuarial gains and losses	(429)	612	5,764
Recognized past service costs	(102)	(3,510)	(33,040)
Retirement benefit expense relating to defined benefit retirement plan	¥6,119	¥3,427	\$32,260

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in service cost.

e. Matters related to pension plan assets

(i) Components of pension plan assets are as follows:

As of March 31,	2017	2018
Bonds	71.4%	72.8%
General account	11.9%	11.2%
Foreign securities	8.0%	8.4%
Stocks	5.4%	5.3%
Cash and deposits	2.6%	1.5%
Joint assets	0.8%	0.7%
Others	0.0%	0.0%
Total	100.0%	100.0%

Note: The total includes 60.7% and 60.0% of employee pension trusts set up for corporate pension plans for the fiscal years ended March 31, 2017 and 2018, respectively.

(ii) The setting method for long-term expected rate of return

The long-term expected rate of return on pension plan assets is set by considering the present and the prospective asset allocation of pension plan assets, as well as the present and the expected long-term rate of return arising from various assets that comprise the plan assets.

f. Matters related to actuarial basis

Years ended March 31,	2017	2018
Discount rate	0.14%–0.80%	0.11%–0.80%
Expected long-term rate of return on plan assets	0.10%–1.90%	0.26%–2.11%

(3) Defined contribution retirement plan

The required contribution for the defined contribution retirement plan of the Company and its consolidated subsidiaries amounted to ¥260 million and ¥267 million [\$2,520 thousand] for the fiscal years ended March 31, 2017 and 2018, respectively.

Note 27 **Stock Options****(1) Amount of expenses related to stock options**

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Operating expenses	¥348	¥309	\$2,910

(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 stock.

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 stock.

T&D Holdings, Inc. stock subscription rights (3rd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 6 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 41
Number of stock options by class *	Common stock: 231,300 shares
Grant date	August 1, 2014
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2014 to August 1, 2044

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (4th series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 15 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 43
Number of stock options by class *	Common stock: 170,700 shares
Grant date	August 3, 2015
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 4, 2015 to August 3, 2045

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (5th series)

Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 48
Number of stock options by class *	Common stock: 379,800 shares
Grant date	August 1, 2016
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2016 to August 1, 2046

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (6th series)

Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 47
Number of stock options by class *	Common stock: 208,200 shares
Grant date	August 1, 2017
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2017 to August 1, 2047

* Translated to the number of common stock.

b. Size and status of stock options

For stock options which existed during the consolidated fiscal year ended March 31, 2018, the number of stock options is translated to the number of common stock.

(i) Number of stock options

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	253,700 shares	161,100 shares	185,200 shares
Vested	—	—	—
Exercised	72,100 shares	41,100 shares	40,800 shares
Forfeited	—	—	—
Exercisable	181,600 shares	120,000 shares	144,400 shares
	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)	T&D Holdings, Inc. stock subscription rights (6th series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	208,200 shares
Forfeited	—	—	—
Vested	—	—	208,200 shares
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	151,100 shares	379,800 shares	—
Vested	—	—	208,200 shares
Exercised	29,400 shares	80,900 shares	2,100 shares
Forfeited	—	—	—
Exercisable	121,700 shares	298,900 shares	206,100 shares

(ii) Unit price information

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	1,441 yen	1,511 yen	1,457 yen
Fair value at the granted date	685 yen	1,143 yen	1,153 yen
	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)	T&D Holdings, Inc. stock subscription rights (6th series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	1,403 yen	1,651 yen	1,739 yen
Fair value at the granted date	1,708 yen	918 yen	1,485 yen

(3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted during the consolidated fiscal year ended March 31, 2018 is as follows:

a. Valuation method

Black-Scholes model

b. Principal parameters used and their estimation method

	T&D Holdings, Inc. stock subscription rights (6th series)
Stock price volatility (Note 1)	36.95%
Expected remaining period (Note 2)	5.95 years
Expected dividends (Note 3)	32.5 yen
Risk-free interest rate (Note 4)	(0.044)%

Notes:

1. Calculated based on the daily closing price of the Company's common stock in regular transactions from August 21, 2011 to August 1, 2017.
2. A period from the granted 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, 2017.
4. Based on Japanese government bond interest rate 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 28 Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet are as follows:

(1) Overview of the asset retirement obligations

Asbestos removal obligations for office buildings and rental properties are recorded as asset retirement obligations.

(2) Calculation method for the amount of the asset retirement obligations

For the estimation of the present value of asset retirement obligations, 50 years from the acquisition of buildings is used as an estimated period before the cost will accrue and 2.11% as a discount rate.

(3) Increase or decrease of the total amount of the asset retirement obligations

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Balance at the beginning of the year	¥1,916	¥1,957	\$18,424
Time progress adjustment	40	41	389
Balance at the end of the year	¥1,957	¥1,998	\$18,813

Note 29 Real Estate for Rent

Some subsidiaries own real estate for rent, consisting mainly of office buildings in major cities in Japan. Their balance sheet amount, net increase or decrease and fair value at the end of the year are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Balance sheet amount:			
Balance at the beginning of the year	¥196,945	¥202,753	\$1,908,451
Net increase (decrease)	5,808	45,252	425,941
Balance at the end of the year	202,753	248,005	2,334,392
Fair value at the end of the year	¥244,850	¥307,523	\$2,894,614

Notes:

- Balance sheet amount represents acquisition cost less accumulated depreciation and accumulated impairment losses. Balances at the end of the year for the years ended March 31, 2017 and 2018 include amounts related to asset retirement obligations of ¥152 million and ¥113 million [\$1,067 thousand], respectively.
- For the year ended March 31, 2017, the increase mainly consisted of purchase of real estate totaling ¥11,830 million and the decrease mainly consisted of depreciation totaling ¥4,090 million. For the year ended March 31, 2018, the increase mainly consisted of purchase of real estate totaling ¥45,926 million [\$432,290 thousand] and the decrease mainly consisted of depreciation totaling ¥4,285 million [\$40,338 thousand].
- Fair value at the end of the year of major properties is calculated based on their appraisal value by external real estate appraisers. The value of other properties is calculated in-house based on the posted price.

Gains (losses) on real estate for rent are as follows:

Years ended March 31,	2017	¥ millions 2018	US\$ thousands 2018
Ordinary revenues	¥14,926	¥15,719	\$147,960
Ordinary expenses	9,913	10,245	96,435
Ordinary profit	5,012	5,474	51,524
Other losses	(1,065)	(474)	(4,463)

Notes:

- Ordinary revenues and ordinary expenses constitute income from lease and corresponding expenses, such as depreciation, repair expenses, insurance expenses and taxes. These amounts are recorded in investment income and investment expenses.
- Other losses were mainly impairment losses for the year ended March 31, 2017, and losses on disposal of fixed assets for the year ended March 31, 2018. These amounts are recorded in extraordinary losses.

Note 30 Segment Information
(1) Overview of reportable segments

The reportable segments of the Company are components of the Company for which separate financial information is available. These segments are subject to regular review by the Company's Board of Directors to determine the allocation of business resources and evaluate business performances.

The Company is a holding company which manages life insurance companies and other subsidiaries in accordance with the Insurance Business Act. Under the Company, the Three Life Insurance Companies, with unique product strategies and sales strategies, operate life insurance business which is 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 households market, Daido Life focuses on the small and medium enterprises market and T&D Financial Life focuses on independent insurance agents market and each company has different products under its unique marketing strategy.

(2) Method for calculating ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

The method for the accounting treatment of the reportable segments is the same as described in "Note 2. 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, 2017	Reportable segments					Others	Total	Adjustments	¥ millions Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal					
Ordinary revenues	¥ 896,757	¥ 943,927	¥ 155,834	¥ 1,996,519	¥ 29,415	¥ 2,025,934	¥ (50,150)	¥ 1,975,784	
Intersegment transfers	1,197	504	—	1,702	73,921	75,623	(75,623)	—	
Total	897,955	944,431	155,834	1,998,221	103,336	2,101,558	(125,773)	1,975,784	
Segment income (loss)	66,642	82,695	6,199	155,537	50,954	206,492	(49,264)	157,227	
Segment assets	7,188,371	6,298,188	1,313,747	14,800,307	902,643	15,702,951	(811,783)	14,891,167	
Segment liabilities	6,807,381	5,654,175	1,242,846	13,704,402	140,993	13,845,396	(51,001)	13,794,395	
Others:									
Depreciation of real estate for rent	2,458	2,461	—	4,919	—	4,919	(28)	4,891	
Depreciation	6,366	4,146	242	10,755	636	11,391	(46)	11,345	
Provision for (reversal of) policy reserve	99,248	203,237	(45,792)	256,693	261	256,954	—	256,954	
Provision for (reversal of) reserve for policyholder dividends	11,738	13,636	(1)	25,374	—	25,374	—	25,374	
Interest, dividends and income from real estate for rent	138,171	132,370	7,563	278,104	49,281	327,386	(50,757)	276,628	
Interest expenses	550	26	0	578	38	617	(44)	573	
Equity in earnings (losses) of affiliates	—	—	—	—	—	—	1	1	
Extraordinary gains	232	—	—	232	67	300	—	300	
Extraordinary losses	19,227	12,450	3,612	35,291	63	35,354	12	35,367	
Impairment losses	119	1,352	3,308	4,779	—	4,779	—	4,779	
Provision for reserve for price fluctuations	18,021	10,809	303	29,134	—	29,134	—	29,134	
Taxes	6,941	13,491	446	20,879	529	21,408	12	21,421	
Investments in affiliated companies	49	100	—	149	—	149	—	149	
Increase in tangible fixed assets and intangible fixed assets	¥ 11,062	¥ 13,556	¥ 1,611	¥ 26,230	¥ 656	¥ 26,886	¥ (55)	¥ 26,831	

Notes:

1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

(1) The adjustment of ¥(50,150 million) to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥45,792 million of ordinary revenues which is included in ordinary expenses of the consolidated statement of operation as provision for policy reserves.

(2) The adjustment of ¥(49,264 million) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.

(3) The adjustment of ¥(811,783 million) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.

(4) The adjustment of ¥(51,001 million) to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

¥ millions

Year ended March 31, 2018	Reportable segments						Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	¥ 737,487	¥ 987,614	¥ 196,492	¥ 1,921,593	¥ 31,766	¥ 1,953,360	¥ (25,000)	¥ 1,928,359
Intersegment transfers	1,229	456	—	1,685	69,300	70,986	(70,986)	—
Total	738,716	988,070	196,492	1,923,279	101,066	2,024,346	(95,986)	1,928,359
Segment income (loss)	62,790	89,397	2,543	154,732	47,895	202,627	(46,152)	156,475
Segment assets	7,219,463	6,573,924	1,365,878	15,159,267	921,034	16,080,302	(817,903)	15,262,398
Segment liabilities	6,810,776	5,913,402	1,292,955	14,017,134	148,847	14,165,982	(56,619)	14,109,362
Others:								
Depreciation of real estate for rent	2,648	2,407	—	5,056	—	5,056	(28)	5,027
Depreciation	6,033	4,070	54	10,158	644	10,803	(40)	10,762
Provision for (reversal of) policy reserve	(20,409)	232,722	50,164	262,476	398	262,874	—	262,874
Provision for (reversal of) reserve for policyholder dividends	15,664	14,668	(1)	30,331	—	30,331	—	30,331
Interest, dividends and income from real estate for rent	137,721	141,840	7,409	286,971	46,099	333,070	(47,573)	285,496
Interest expenses	638	16	0	656	31	687	(49)	637
Equity in earnings (losses) of affiliates	—	—	—	—	—	—	72	72
Extraordinary gains	26	55	—	82	15	97	(68)	28
Extraordinary losses	4,280	11,754	461	16,496	17	16,513	(0)	16,513
Impairment losses	744	—	—	744	—	744	—	744
Provision for reserve for price fluctuations	3,251	11,089	459	14,800	—	14,800	—	14,800
Taxes	12,390	18,458	494	31,343	724	32,068	(6)	32,061
Investments in affiliated companies	49	100	—	149	—	149	—	149
Increase in tangible fixed assets and intangible fixed assets	¥ 46,298	¥ 16,370	¥ 1,065	¥ 63,734	¥ 531	¥ 64,266	¥ (117)	¥ 64,148

US\$ thousands

Year ended March 31, 2018	Reportable segments						Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	\$ 6,941,707	\$ 9,296,067	\$ 1,849,515	\$ 18,087,290	\$ 299,004	\$ 18,386,295	\$ (235,319)	\$ 18,150,976
Intersegment transfers	11,568	4,295	—	15,864	652,302	668,166	(668,166)	—
Total	6,953,276	9,300,362	1,849,515	18,103,154	951,307	19,054,462	(903,485)	18,150,976
Segment income (loss)	591,024	841,469	23,944	1,456,439	450,823	1,907,262	(434,418)	1,472,844
Segment assets	67,954,292	61,878,055	12,856,540	142,688,888	8,669,380	151,358,268	(7,698,641)	143,659,627
Segment liabilities	64,107,456	55,660,794	12,170,142	131,938,393	1,401,045	133,339,439	(532,937)	132,806,501
Others:								
Depreciation of real estate for rent	24,930	22,660	—	47,591	—	47,591	(265)	47,325
Depreciation	56,788	38,316	514	95,619	6,070	101,690	(383)	101,307
Provision for (reversal of) policy reserve	(192,107)	2,190,532	472,179	2,470,603	3,746	2,474,350	—	2,474,350
Provision for (reversal of) reserve for policyholder dividends	147,446	138,067	(10)	285,503	—	285,503	—	285,503
Interest, dividends and income from real estate for rent	1,296,322	1,335,097	69,739	2,701,159	433,915	3,135,074	(447,794)	2,687,279
Interest expenses	6,012	157	8	6,178	292	6,470	(468)	6,002
Equity in earnings (losses) of affiliates	—	—	—	—	—	—	686	686
Extraordinary gains	245	526	—	772	141	914	(647)	266
Extraordinary losses	40,294	110,638	4,345	155,278	161	155,440	(2)	155,437
Impairment losses	7,005	—	—	7,005	—	7,005	—	7,005
Provision for reserve for price fluctuations	30,605	104,385	4,323	139,314	—	139,314	—	139,314
Taxes	116,627	173,743	4,656	295,027	6,820	301,848	(65)	301,782
Investments in affiliated companies	469	941	—	1,410	—	1,410	—	1,410
Increase in tangible fixed assets and intangible fixed assets	\$ 435,790	\$ 154,093	\$ 10,028	\$ 599,911	\$ 5,004	\$ 604,915	\$ (1,108)	\$ 603,807

Notes:

1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

(1) The adjustment of ¥(25,000 million) [\$ (235,319 thousand)] to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥20,409 million [\$192,107 thousand] of ordinary revenues and provision for retirement benefits of ¥3,627 million [\$34,148 thousand] which are included in ordinary expenses of the consolidated statement of operation as provision for policy reserves and reversal of provision for retirement benefits, respectively.

(2) The adjustment of ¥(46,152 million) [\$ (434,418 thousand)] to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.

(3) The adjustment of ¥(817,903 million) [\$ (7,698,641 thousand)] to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.

(4) The adjustment of ¥(56,619 million) [\$ (532,937 thousand)] to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

[Related information]**For the year ended March 31, 2017****1. Information by product and service**

Sales to external customers

Year ended March 31, 2017	¥ millions				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥654,379	¥766,336	¥80,918	¥3,600	¥1,505,234
Insurance premiums	654,088	764,993	78,759	3,600	1,501,442
Individual insurance and individual annuities	545,127	699,013	78,603	—	1,322,744
Group insurance	32,808	25,288	—	—	58,096
Group annuities	74,846	39,702	133	—	114,681
Others	1,307	989	22	3,600	5,920
Ceded reinsurance recoveries	¥ 290	¥ 1,342	¥ 2,159	¥ —	¥ 3,792

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) to external customers in the consolidated statement of operation.

For the year ended March 31, 2018**1. Information by product and service**

Sales to external customers

Year ended March 31, 2018	¥ millions				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥511,900	¥790,852	¥176,474	¥4,492	¥1,483,719
Insurance premiums	511,514	789,337	176,158	4,492	1,481,502
Individual insurance and individual annuities	417,790	727,193	175,998	—	1,320,982
Group insurance	31,469	23,897	—	—	55,366
Group annuities	61,048	37,200	138	—	98,386
Others	1,206	1,046	21	4,492	6,767
Ceded reinsurance recoveries	¥ 386	¥ 1,514	¥ 316	¥ —	¥ 2,217

Year ended March 31, 2018	US\$ thousands				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	\$4,818,343	\$7,444,015	\$1,661,092	\$42,281	\$13,965,733
Insurance premiums	4,814,704	7,429,759	1,658,117	42,281	13,944,863
Individual insurance and individual annuities	3,932,513	6,844,819	1,656,612	—	12,433,945
Group insurance	296,207	224,936	—	—	521,143
Group annuities	574,624	350,152	1,300	—	926,078
Others	11,359	9,850	204	42,281	63,696
Ceded reinsurance recoveries	\$ 3,638	\$ 14,255	\$ 2,975	\$ —	\$ 20,870

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) to external customers in the consolidated statement of operation.

[Information on impairment losses on fixed assets by reportable segment]

For the years ended March 31, 2017 and 2018

Information on impairment losses on fixed assets by reportable segment is disclosed in “Note 30. Segment information.”

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the years ended March 31, 2017 and 2018: Not applicable.

[Information on gains on negative goodwill by reportable segment]

For the years ended March 31, 2017 and 2018: Not applicable.

[Related party information]

1. Related party transactions

For the years ended March 31, 2017 and 2018: Not applicable.

2. Notes on the parent company or any important affiliated company

For the years ended March 31, 2017 and 2018: Not applicable.

Note 31 Per Share Information

		¥	US\$
Years ended March 31,	2017	2018	2018
Net assets per share	¥1,727.69	¥1,844.15	\$17.35
Net income per share	117.81	124.23	1.16
Net income per share (fully diluted)	115.59	121.81	1.14

Note: A summary of the net income per share and the net income per share (fully diluted) computations is as follows:

(1) Net income per share and net income per share (fully diluted)

		¥ millions	US\$ thousands
Years ended March 31,	2017	2018	2018
Net income per share:			
Profit attributable to owners of parent	¥75,187	¥77,577	\$730,207
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shareholders	¥75,187	¥77,577	\$730,207

		Shares
Weighted-average number of common stocks outstanding	638,194,089	624,468,759

		¥ millions	US\$ thousands
Years ended March 31,	2017	2018	2018
Net income per share (fully diluted):			
Adjusted profit attributable to owners of parent	¥(20)	¥(20)	\$(195)
Amortization of bond premium (after tax)	¥(20)	¥(20)	\$(195)

		Shares
Increase in common stock	12,115,431	12,215,498
Convertible Bond	11,104,941	11,152,830
Subscription rights to shares	1,010,490	1,062,668
Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect	—	—

(2) Net assets per share

		¥ millions	US\$ thousands
As of March 31,	2017	2018	2018
Net assets	¥1,096,772	¥1,153,036	\$10,853,125
Deduction from net assets	3,915	5,611	52,818
Subscription rights to shares	1,178	1,216	11,449
Non-controlling interests	2,737	4,395	41,369
Net assets available to common shareholders	¥1,092,856	¥1,147,424	\$10,800,306

		Shares
The number of common stock outstanding	632,554,226	622,197,540

Note 32 Significant Subsequent Events

The Company has resolved at its board of directors meeting held on May 15, 2018, the acquisition purchase of treasury shares under the provision in Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

(1) Reasons for the purchase of treasury shares

To enhance shareholder return and improve capital efficiency.

(2) Details of the purchase

- a. Type of shares to be purchased : Shares of common stock
- b. Number of shares to be purchased : Up to 13,000,000 shares
- c. Total amount of purchase : Up to ¥17,000 million [\$160,015 thousand]
- d. Period of purchase : From May 16, 2018 to August 31, 2018
- e. Method of purchase : Open-market repurchase by the trust method

(3) Results of the purchase

- a. Total number of purchased shares : 9,522,000 shares
- b. Total cost of purchase : ¥16,999 million [\$160,013 thousand]
- c. Period of purchase : From May 16, 2018 to June 22, 2018, on the basis of execution date

Independent Auditor's Report



Building a better
working world

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1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
T&D Holdings, Inc.

We have audited the accompanying consolidated financial statements of T&D Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, 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, 2018, 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 2.

Ernst & Young ShinNihon LLC

June 27, 2018

A member firm of Ernst & Young Global Limited

Stock Information

As of March 31, 2018

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: 655,000,000
Fiscal Year-End	March 31 every year
Ordinary General Meeting of Shareholders	June every year
Date of Record	Ordinary General Meeting of Shareholders 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/information/public.html/ • 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 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan URL: http://www.tr.mufg.jp/english/
Number of Shareholders	229,448

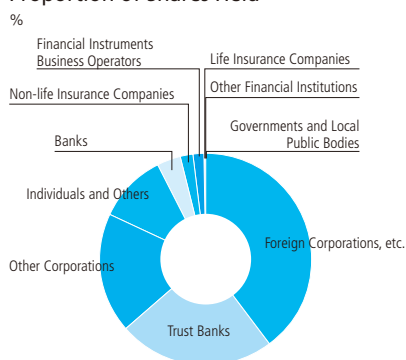
PRINCIPAL SHAREHOLDERS

Name of Shareholders	Number of Shares Held	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account)	38,220	6.14
The Master Trust Bank of Japan Ltd. (Trust Account)	37,020	5.95
Japan Trustee Services Bank, Ltd. (Trust Account9)	14,045	2.26
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,906	2.07
Japan Trustee Services Bank, Ltd. (Trust Account5)	11,656	1.87
Japan Trustee Services Bank, Ltd. (Trust Account7)	10,463	1.68
STATE STREET BANK WEST CLIENT – TREATY 505234	9,839	1.58
STATE STREET BANK AND TRUST COMPANY	8,693	1.40
Japan Trustee Services Bank, Ltd. (Trust Account1)	8,661	1.39
Japan Trustee Services Bank, Ltd. (Trust Account2)	8,511	1.37

Note: In addition to the above, the Company holds 32,802 thousands of shares in treasury shares, which are excluded from the principal shareholders stated above. Further, the percentage of total shares outstanding is calculated after deducting the treasury shares.

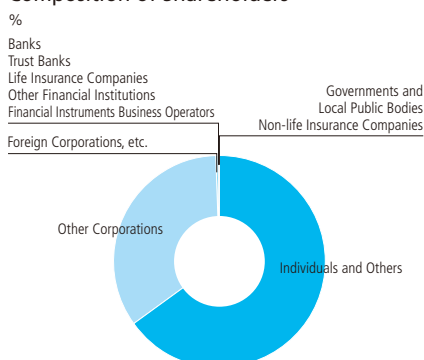
COMPOSITION OF SHAREHOLDERS AND SHARES

Proportion of Shares Held



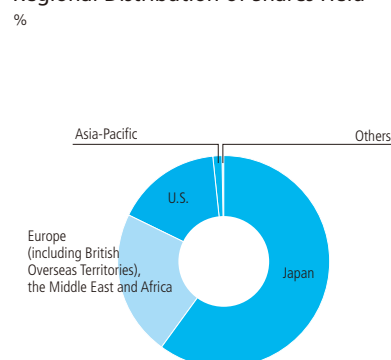
Foreign Corporations, etc.	39.87
Trust Banks	23.96
Other Corporations	18.28
Individuals and Others	10.55
Banks	3.68
Non-life Insurance Companies	1.87
Financial Instruments Business Operators	1.51
Life Insurance Companies	0.22
Other Financial Institutions	0.05
Governments and Local Public Bodies	0.00

Composition of Shareholders



Individuals and Others	65.23
Other Corporations	34.44
Foreign Corporations, etc.	0.30
Banks	0.01
Trust Banks	0.01
Life Insurance Companies	0.01
Other Financial Institutions	0.01
Financial Instruments Business Operators	0.01
Governments and Local Public Bodies	0.00
Non-life Insurance Companies	0.00

Regional Distribution of Shares Held



Japan	60.13
Europe (including British Overseas Territories), the Middle East and Africa	22.35
U.S.	16.00
Asia-Pacific	1.51
Others	0.01

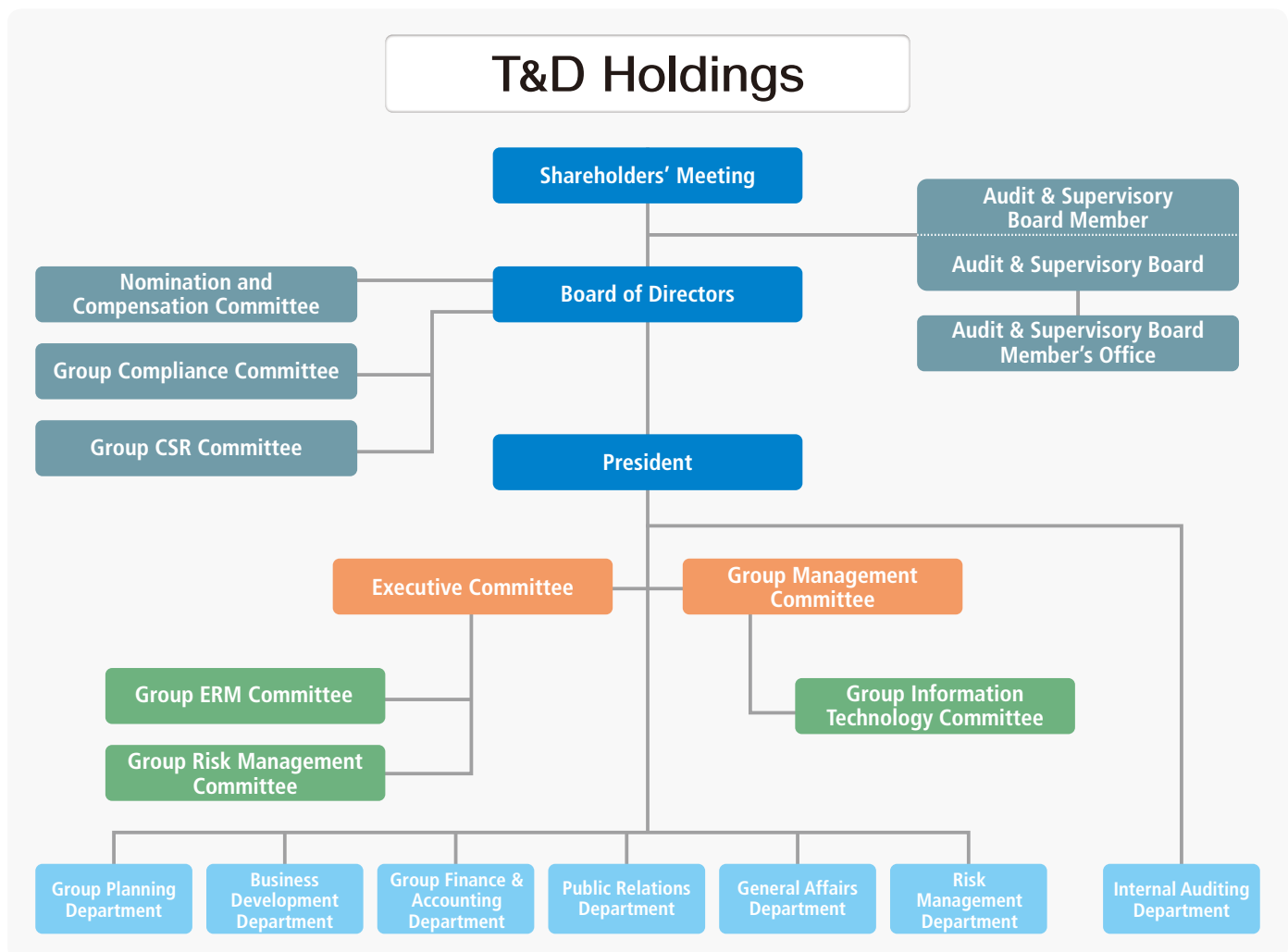
Corporate Overview

As of March 31, 2018

Company Name	T&D Holdings, Inc.
Date of Establishment	April 1, 2004
Location of Headquarters	2-7-1, Nihonbashi, Chuo-ku, Tokyo 103-6031, Japan Tel: +81-(0)3-3272-6110 Fax: +81-(0)3-3272-6552
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 yen
Security Code	8795
Stock Exchange Listings	Tokyo Stock Exchange (First Section)
Number of Common Stocks Issued	655,000,000 shares
Number of Employees	98

Organizational Structure

As of March 31, 2018



Editorial Policy

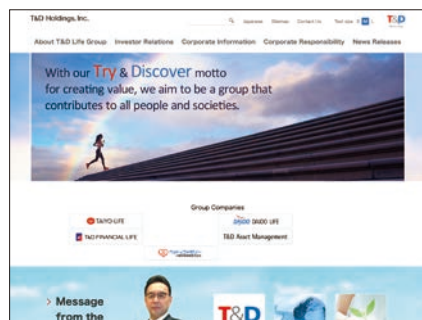
This report was created for the purpose of describing in an easy-to-understand way how the businesses and initiatives of the T&D Life Group (the “Group”) are linked to its medium- and long-term growth and creating value for its stakeholders, from the perspective of ESG (Environmental, Social and Governance).

Specifically, it reports the initiatives and results of the second year of the Group’s three-year Medium-Term Management Plan, which was launched in April 2016 with the theme of “Try & Discover for the Next Stage,” and describes the business models and business strategies of the Group companies, including Taiyo Life, Daido Life, and T&D Financial Life, as well as foundations supporting the Group’s management, such as “corporate governance” and “social and environmental initiatives.”

- Period Covered by This Report: April 1, 2017 to March 31, 2018 (This report also includes some information outside this period.)
- Scope of This Report: T&D Holdings, Inc., and its subsidiaries and affiliated companies
- Reference Guidelines: “The International Integrated Reporting Framework” issued by the International Integrated Reporting Council (IIRC) and “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation” formulated by Japan’s Ministry of Economy, Trade and Industry

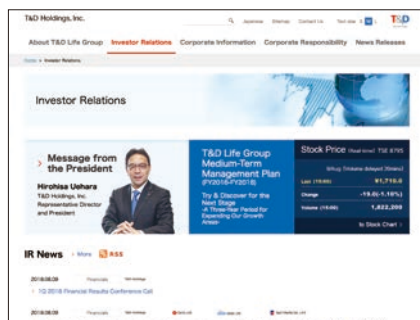
Role of this Report

This report provides a summary of key information for our stakeholders to understand the businesses and initiatives of the T&D Life Group. Please see our website for more detailed information.



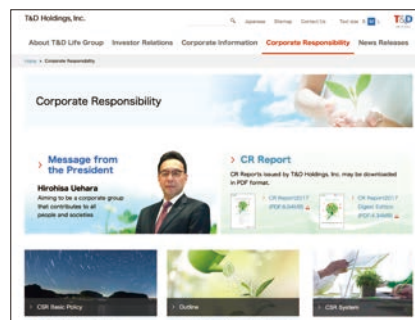
Website of T&D Holdings, Inc.

<http://www.td-holdings.co.jp/en/>



Investor Relations

<http://www.td-holdings.co.jp/en/ir/>



Corporate Responsibility

<http://www.td-holdings.co.jp/en/csr/>

Forward-looking Statements

This report contains forward-looking statements about T&D Holdings’ future revenue plan, strategy, philosophy, and earnings forecasts which involve factors of risk and uncertainty. Such statements are based on the Company’s current expectations which could cause actual results to differ materially from those described in the forward-looking statements. Factors which could influence the actual results include, but are not limited to, (I) general economic conditions, in particular, conditions in the life insurance market on which the T&D Life Group centers, (II) financial market trends, (III) levels and trends in mortality rate and morbidity rate, (IV) persistency

rate, (V) interest rate levels, (VI) fluctuation in currency exchange rates, (VII) other general competitive factors, (VIII) changes in laws and regulations, including the tax treatment of insurance premiums, and (IX) changes in the policies of the government and/or regulatory authorities. The Company, therefore, wishes to caution readers not to place undue reliance on these 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.

Contact: T&D Holdings, Inc. Group Planning Department Investor Relations Division
Telephone: +81-(0)3-3272-6103

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This integrated report is made of material from well-managed, FSC®-certified forests and other controlled sources.