

## Operating Results

### 1. RESULTS OF OPERATIONS

In fiscal 2014, the Japanese economy remained on a mild recovery track, mainly reflecting signs of improvement in the employment and income environment and improved corporate earnings, which were backed by various monetary and fiscal policies, despite a downturn following the front-loaded demand ahead of an increase in the consumption tax rate in April 2014.

In the life insurance industry, premium income increased year on year, while new policy amount and policy amount in force remained almost unchanged from the previous year. In the asset management environment, domestic stock prices rose since the start of the fiscal year due to the economic recovery trend, while domestic long-term interest rates declined.

Under these business conditions, the performance for T&D Holdings, Inc. (the "Company") for the year ended March 2015 was as follows:

Ordinary revenues increased ¥326.4 billion from the previous fiscal year to ¥2,412.1 billion (up 15.7%), which was the total of income from insurance premiums of ¥1,958.0 billion (up 21.6%), investment income of ¥384.2 billion (down 3.4%), other ordinary income of ¥69.8 billion (down 10.6%) and others.

Ordinary expenses increased ¥323.7 billion, or 17.0%, from the previous fiscal year to ¥2,223.2 billion, which was the total of insurance claims and other payments of ¥1,401.5 billion (down 7.9%), provision for policy and other reserves of ¥485.1 billion (—%), investment expenses of ¥66.4 billion (down 23.4%), operating expenses of ¥199.4 billion (up 0.9%) and other ordinary expenses of ¥70.6 billion (down 1.3%).

As a result, ordinary profit increased 1.5% from the previous fiscal year to ¥188.9 billion. Extraordinary gains decreased 46.0% to ¥0.2 billion, and extraordinary losses decreased 73.3% to ¥8.3 billion. After accounting for extraordinary gains and losses, the provision for reserve for policyholder dividends, and income taxes, net income increased ¥15.2 billion, or 19.3%, from the previous fiscal year to ¥94.2 billion.

Comprehensive income was ¥351.2 billion (up 197.9%), which was the total of income before minority interests of ¥94.3 billion (up 19.3%) and other comprehensive income of ¥256.8 billion (up 562.6%).

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

### (1) Ordinary Revenues

#### a) Income from Insurance Premiums

Income from insurance premiums totaled ¥1,958.0 billion (up 21.6%), consisting of ¥1,725.2 billion in premiums for individual insurance and individual annuities (up 22.0%), ¥60.1 billion for group insurance (down 1.7%), and ¥166.7 billion for group annuities (up 29.2%), and others.

At Taiyo Life, income from insurance premiums amounted to ¥865.2 billion, an increase of ¥209.9 billion (32.0%) from fiscal 2013, mainly due to an increase in premiums from individual insurance and individual annuities.

At Daido Life, income from insurance premiums increased ¥79.8 billion (11.2%) to ¥792.7 billion, mainly due to an increase in premiums from individual insurance.

At T&D Financial Life, income from insurance premiums increased ¥57.9 billion (24.2%) to ¥297.7 billion, mainly due to an increase in premiums from individual insurance.

#### b) Investment Income

Investment income amounted to ¥384.2 billion (down 3.4%), including ¥287.9 billion in interest, dividends and income from real estate for rent (up 0.2%), ¥35.4 billion in gains on separate accounts, net (down 40.4%), and ¥34.4 billion in gains on sales of securities (up 12.9%).

At Taiyo Life, investment income totaled ¥176.3 billion, an increase of ¥0.5 billion (0.3%) from the previous fiscal year. This was mainly due to a ¥2.8 billion increase in gains on sales of securities.

At Daido Life, investment income amounted to ¥169.0 billion, an increase of ¥8.5 billion (5.3%) from the previous fiscal year. This was mainly due to an increase of ¥4.7 billion in gains on investments in trading securities, net.

At T&D Financial Life, investment income totaled ¥46.3 billion, a decrease of ¥18.5 billion (28.6%) from the previous fiscal year. This was mainly due to a ¥24.3 billion decrease in gains on separate accounts, net.

## Investment Income

Year ended March 31	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY
Interest, dividends and income from real estate for rent	¥287.9	¥ 0.4	¥151.7	¥(2.1)	¥130.2	¥ 2.4	¥ 7.1	¥ 0.1
Gains from monetary trusts, net	—	—	—	—	0.0	(1.2)	—	—
Gains on investments in trading securities, net	20.0	4.7	—	—	20.0	4.7	—	—
Gains on sales of securities	34.4	3.9	23.8	2.8	10.1	1.4	0.3	(0.3)
Gains from derivatives, net	—	—	—	—	—	—	6.1	6.1
Foreign exchange gains, net	1.6	1.6	0.4	(0.0)	1.0	1.0	0.0	(0.1)
Reversal of reserve for possible loan losses	0.1	(1.6)	0.0	(0.0)	0.1	(1.6)	—	—
Other investment income	4.5	1.3	0.1	(0.0)	4.4	1.3	0.0	0.0
Gains on separate accounts, net	35.4	(24.0)	0.0	0.0	2.8	0.3	32.6	(24.3)
<b>Total investment income</b>	<b>¥384.2</b>	<b>¥(13.5)</b>	<b>¥176.3</b>	<b>¥ 0.5</b>	<b>¥169.0</b>	<b>¥ 8.5</b>	<b>¥46.3</b>	<b>¥(18.5)</b>

## (2) Ordinary Expenses

### a) Insurance Claims and Other Payments

Insurance claims and other payments totaled ¥1,401.5 billion (down 7.9%), comprising ¥355.6 billion in insurance claims (down 7.1%), ¥457.5 billion in annuity payments (down 0.6%), ¥177.4 billion in insurance benefits (down 7.8%), ¥351.2 billion in surrender payments (down 15.4%), and ¥57.2 billion in other payments (down 14.8%).

At Taiyo Life, insurance claims and other payments amounted to ¥566.4 billion, a decrease of ¥18.9 billion (3.2%) from the previous fiscal year. This was mainly due to a decrease of ¥38.5 billion in matured endowment payments for individual insurance.

At Daido Life, insurance claims and other payments totaled ¥494.2 billion, a decrease of ¥28.2 billion (5.4%) from the previous fiscal year. This was mainly due to a decrease of ¥14.8 billion in payments of insurance claims for individual insurance.

At T&D Financial Life, insurance claims and other payments amounted to ¥339.7 billion, a decrease of ¥72.5 billion (17.6%) from the previous fiscal year. This was mainly due to a decrease of ¥62.8 billion in surrender payments.

### b) Investment Expenses

Investment expenses totaled ¥66.4 billion (down 23.4% year on year), including ¥33.9 billion in losses from derivatives, net (up 24.3%), ¥15.6 billion in other investment expenses (down 2.2%), ¥6.9 billion in losses on sales of securities (down 60.5%), and ¥1.7 billion in losses from monetary trusts, net (down 84.2%).

At Taiyo Life, investment expenses were ¥31.8 billion, an increase of ¥2.5 billion (8.8%) from the previous fiscal year. This was mainly due to a ¥6.9 billion increase in losses from derivatives, net.

At Daido Life, investment expenses amounted to ¥39.1 billion, a decrease of ¥7.2 billion (15.6%) from the previous fiscal year. This was mainly due to a decrease of ¥8.0 billion in losses on sales of securities.

At T&D Financial Life, investment expenses totaled ¥1.8 billion, a decrease of ¥11.3 billion (86.2%) from the previous fiscal year. This was mainly due to a decrease of ¥10.5 billion in losses from monetary trusts, net.

## Investment Expenses

Year ended March 31	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY
Interest expenses	¥ 1.8	¥ (0.1)	¥ 1.8	¥(0.1)	¥ 0.0	¥ 0.0	¥0.0	¥ 0.0
Losses from monetary trusts, net	1.7	(9.2)	—	—	—	—	1.7	(10.5)
Losses on sales of securities	6.9	(10.6)	4.9	(2.6)	2.0	(8.0)	0.0	(0.0)
Devaluation losses on securities	1.0	(4.2)	0.4	(1.2)	0.5	(3.0)	0.0	0.0
Losses from derivatives, net	33.9	6.6	19.5	6.9	20.5	6.6	—	(0.8)
Foreign exchange losses, net	—	(0.0)	—	—	—	(0.6)	—	—
Provision for reserve for possible loan losses	—	—	—	—	—	—	0.0	0.0
Write-off of loans	0.0	(2.5)	—	—	—	(2.5)	—	—
Depreciation of real estate for rent	5.1	0.3	2.2	0.0	2.8	0.3	—	—
Other investment expenses	15.6	(0.3)	2.8	(0.2)	13.0	(0.0)	0.0	0.0
<b>Total investment expenses</b>	<b>¥66.4</b>	<b>¥(20.2)</b>	<b>¥31.8</b>	<b>¥ 2.5</b>	<b>¥39.1</b>	<b>¥(7.2)</b>	<b>¥1.8</b>	<b>¥(11.3)</b>

## (3) Ordinary Profit

Ordinary profit was ¥188.9 billion (up 1.5%).

Taiyo Life recorded ordinary profit of ¥67.6 billion, a decrease of ¥4.6 billion (6.4%). This was mainly due to an increase in initial expenses in line with an increase in the new policy amount.

Daido Life recorded ordinary profit of ¥97.4 billion, an increase of ¥6.1 billion (6.7%). This was mainly due to an increase in net investment income.

T&D Financial Life recorded ordinary profit of ¥22.4 billion, an increase of ¥1.5 billion (7.4%).

## (4) Extraordinary Gains/Losses

Extraordinary gains totaled ¥0.2 billion (down 46.0%), mainly due to ¥0.1 billion in compensation for transfer (up 14.5%).

Extraordinary losses amounted to ¥8.3 billion (down 73.3%), due to a provision for reserve for price fluctuations of ¥5.1 billion (down 78.6%) and impairment losses of ¥1.9 billion (down 49.7%).

Taiyo Life posted extraordinary gains of ¥0.1 billion (—%) and extraordinary losses of ¥5.4 billion (down 58.1%).

Daido Life posted extraordinary losses of ¥2.6 billion (down 84.9%).

T&D Financial Life posted extraordinary losses of ¥0.1 billion (down 56.1%).

## (5) Net Income (Loss)

The Company recorded net income of ¥94.2 billion (up 19.3%).

Taiyo Life recorded net income of ¥27.9 billion, an increase of ¥1.5 billion (6.1%).

Daido Life recorded net income of ¥51.1 billion, an increase of ¥15.2 billion (42.3%).

T&D Financial Life recorded net income of ¥14.6 billion, a decrease of ¥1.2 billion (7.9%).

## (Reference)

## Premiums Breakdown

Years ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
Individual insurance	¥1,116,055	¥1,321,522	¥336,894	23.4	¥687,847	13.7	¥296,779	24.5
Individual annuities	298,044	403,684	371,881	40.1	31,097	(2.2)	705	(19.1)
Group insurance	61,200	60,132	32,762	(0.1)	27,370	(3.7)	—	—
Group annuities	129,043	166,724	122,115	47.8	44,454	(3.9)	154	(8.9)
Others	2,287	2,334	1,340	(2.3)	969	9.0	24	(2.9)
<b>Total</b>	<b>¥1,606,630</b>	<b>¥1,954,398</b>	<b>¥864,995</b>	<b>32.0</b>	<b>¥791,738</b>	<b>11.2</b>	<b>¥297,664</b>	<b>24.3</b>

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

## Insurance Claims and Other Payments Breakdown

### Insurance Claims

		Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
Years ended March 31		2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
Individual insurance	¥338,486	¥292,944	¥135,070	(22.4)	¥134,563	(9.9)	¥23,310	54.6	
Individual annuities	1,440	1,269	1,251	(11.2)	17	(42.4)	—	—	
Group insurance	33,014	32,127	17,044	(2.6)	15,076	(2.9)	7	—	
Group annuities	9,152	27,992	27,992	205.9	—	—	—	—	
Others	141	225	0	16.8	163	31.9	61	259.3	
<b>Total</b>	<b>¥382,235</b>	<b>¥354,560</b>	<b>¥181,360</b>	<b>(10.2)</b>	<b>¥149,819</b>	<b>(9.3)</b>	<b>¥23,380</b>	<b>54.9</b>	

### Annuity Payments

		Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
Years ended March 31		2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
Individual insurance	¥ 63	¥ 51	¥ —	—	¥ 51	(19.3)	¥ —	—	
Individual annuities	429,388	425,991	168,616	1.1	35,806	7.4	221,568	(3.3)	
Group insurance	542	512	399	(4.3)	99	(8.2)	13	(21.5)	
Group annuities	30,215	30,740	20,675	5.1	9,860	(4.4)	204	(11.7)	
Others	258	254	82	7.8	143	(4.1)	29	(9.9)	
<b>Total</b>	<b>¥460,468</b>	<b>¥457,550</b>	<b>¥189,773</b>	<b>1.5</b>	<b>¥45,961</b>	<b>4.5</b>	<b>¥221,815</b>	<b>(3.4)</b>	

### Insurance Benefits

		Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
Years ended March 31		2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
Individual insurance	¥ 61,484	¥ 58,246	¥43,398	(5.7)	¥13,281	(3.1)	¥ 1,567	(11.1)	
Individual annuities	32,044	25,625	8,803	13.5	7,674	(17.2)	9,147	(39.1)	
Group insurance	283	212	34	(38.0)	178	(22.0)	—	—	
Group annuities	98,354	93,127	27,839	(5.9)	65,094	(5.1)	193	2.7	
Others	261	213	171	(4.2)	41	(40.8)	0	(92.1)	
<b>Total</b>	<b>¥192,427</b>	<b>¥177,425</b>	<b>¥80,246</b>	<b>(4.0)</b>	<b>¥86,270</b>	<b>(6.1)</b>	<b>¥10,909</b>	<b>(35.8)</b>	

### Surrender Payments

		Three Companies		Taiyo Life		Daido Life	T&D Financial Life		
Years ended March 31		2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
Individual insurance	¥250,013	¥246,043	¥42,212	(0.5)	¥189,255	(2.7)	¥14,575	11.8	
Individual annuities	157,990	99,459	27,994	30.9	9,756	(7.0)	61,708	(51.1)	
Group insurance	74	3	3	(94.7)	—	—	—	—	
Group annuities	6,473	5,279	4,744	26.9	526	(80.7)	8	307.7	
Others	408	402	180	1.1	218	(3.1)	3	(13.8)	
<b>Total</b>	<b>¥414,960</b>	<b>¥351,189</b>	<b>¥75,136</b>	<b>10.8</b>	<b>¥199,756</b>	<b>(4.0)</b>	<b>¥76,296</b>	<b>(45.2)</b>	

## Other Payments

Years ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
Individual insurance	¥15,298	¥14,910	¥11,300	(7.3)	¥ 3,240	17.4	¥ 369	6.9
Individual annuities	36,147	31,787	24,302	(6.3)	718	60.0	6,766	(30.7)
Group insurance	—	0	0	—	0	—	—	—
Group annuities	15,642	10,388	3,859	(41.5)	6,517	(25.4)	11	(96.3)
Others	177	207	64	(10.8)	143	36.0	—	—
<b>Total</b>	<b>¥67,265</b>	<b>¥57,293</b>	<b>¥39,526</b>	<b>(11.8)</b>	<b>¥10,619</b>	<b>(11.9)</b>	<b>¥7,146</b>	<b>(31.4)</b>

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

## 2. ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION

Total assets as of March 31, 2015, stood at ¥14,664.7 billion (up 6.2% from the previous fiscal year-end).

This mainly comprised securities centered on domestic public and corporate bonds of ¥10,847.3 billion (up 6.2%), loans of ¥1,863.8 billion (down 0.8%), monetary trusts of ¥437.6 billion (up 104.9%), monetary claims purchased of ¥339.9 billion (down 24.6%), and cash and deposits of ¥334.1 billion (down 11.7%).

Total liabilities were ¥13,319.7 billion (up 4.2%), mostly comprising policy reserves of ¥12,707.9 billion (up 3.9%).

Total net assets amounted to ¥1,344.9 billion (up 31.8%). Within total net assets, net unrealized gains on securities were ¥649.7 billion (up 67.6%).

## 3. ANALYSIS OF CONSOLIDATED CASH FLOWS

Net cash provided by operating activities was ¥616.7 billion, a ¥457.6 billion increase in cash inflow compared with the previous fiscal year.

Net cash used in investing activities was ¥467.0 billion, a ¥253.1 billion increase in cash outflow compared with the previous fiscal year.

Net cash used in financing activities was ¥76.2 billion, a change of ¥108.8 billion from a cash inflow compared with the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2015 amounted to ¥899.5 billion, an increase of ¥72.4 billion from the beginning of the fiscal year (¥827.1 billion as of March 31, 2014).

## 4. ANALYSIS OF SALES RESULTS (NON-CONSOLIDATED)

## (1) Sales Results

Sales results for the total of three companies were as follows:

In fiscal 2014, the total new policy amount for individual insurance and individual annuities (including the net increase from conversions, same hereafter) was ¥6,570.2 billion (up 6.5%).

Meanwhile, the surrender and lapse amount for individual insurance and individual annuities was ¥3,678.5 billion (down 6.2%).

As a result, the policy amount in force for individual insurance and individual annuities as of March 31, 2015, totaled ¥60,353.3 billion (up 1.4%).

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

## a) Taiyo Life

The new policy amount of individual insurance and individual annuities for fiscal 2014 was ¥2,840.7 billion (up 5.3%).

Meanwhile, the surrender and lapse amount for individual insurance and individual annuities was ¥1,270.2 billion (up 1.2%).

As a result, as of March 31, 2015, the total policy amount in force of individual insurance and individual annuities was ¥22,154.5 billion, an increase of ¥558.8 billion (2.6%) from ¥21,595.6 billion at the previous fiscal year-end.

As of March 31, 2015, the total policy amount in force of group insurance was ¥9,898.5 billion (down 1.6%).

As of March 31, 2015, the total policy amount in force of group annuities (policy reserve, same hereafter) was ¥885.5 billion (up 5.4%).

## b) Daido Life

The new policy amount of individual insurance and individual annuities for fiscal 2014 was ¥3,406.8 billion (up 5.6%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥2,304.3 billion (down 7.5%).

As a result, as of March 31, 2015, the total policy amount in force of individual insurance and individual annuities was ¥36,392.3 billion, an increase of ¥329.7 billion (0.9%) from ¥36,062.6 billion at the previous fiscal year-end.

As of March 31, 2015, the total policy amount in force of group insurance was ¥7,445.1 billion (down 4.0%).

As of March 31, 2015, the total policy amount in force of group annuities was ¥789.1 billion (down 4.0%).

### c) T&D Financial Life

The new policy amount of individual insurance and individual annuities for fiscal 2014 was ¥322.6 billion (up 31.7%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥103.9 billion (down 40.5%).

As a result, as of March 31, 2015, the total policy amount in force of individual insurance and individual annuities was ¥1,806.4 billion, a

decrease of ¥42.0 billion (2.3%) from ¥1,848.5 billion at the previous fiscal year-end.

As of March 31, 2015, the total policy amount in force of group insurance was ¥0.0 billion (down 22.7%).

As of March 31, 2015, the total policy amount in force of group annuities was ¥3.0 billion (down 7.4%).

### Policy Amount in Force Breakdown

Years ended March 31	Three Companies			Taiyo Life	Daido Life		T&D Financial Life	
	2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
	¥ millions							
Individual insurance	¥53,384,598	¥54,310,733	¥17,814,828	2.1	¥35,086,059	1.0	¥1,409,845	18.3
Individual annuities	6,122,227	6,042,664	4,339,735	4.5	1,306,308	(0.6)	396,620	(39.6)
Subtotal	59,506,826	60,353,397	22,154,564	2.6	36,392,367	0.9	1,806,465	(2.3)
Group insurance	17,812,544	17,343,708	9,898,500	(1.6)	7,445,164	(4.0)	43	(22.7)
Group annuities	1,665,475	1,677,763	885,510	5.4	789,162	(4.0)	3,090	(7.4)
Others	9,233	9,150	4,551	1.1	4,213	(1.7)	385	(13.7)

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

2. Amounts for group annuities are policy reserve amounts.

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

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

### New Policy Amount Breakdown

Years ended March 31	Three Companies			Taiyo Life	Daido Life		T&D Financial Life	
	2014	2015	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)	2015	Increase (decrease) YoY (%)
	¥ millions							
Individual insurance	¥5,812,162	¥6,115,807	¥2,426,105	1.8	¥3,367,051	5.7	¥322,651	31.7
Individual annuities	354,853	454,411	414,648	32.0	39,762	(2.3)	—	—
Subtotal	6,167,016	6,570,218	2,840,754	5.3	3,406,813	5.6	322,651	31.7
Group insurance	14,770	62,436	59,081	—	3,355	(70.4)	—	—
Group annuities	18	71	71	292.7	—	—	—	—
Others	4	11	1	(1.0)	1	10.9	9	209.0

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

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

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

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

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

## (2) Other Important Matters

As of March 31, 2015, the consolidated solvency margin ratio was 1,220.7% (compared to 1,115.0% as of March 31, 2014) and the value of consolidated adjusted net assets amounted to ¥2,645.5 billion (compared to ¥2,010.1 billion as of March 31, 2014).

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

### a) Taiyo Life

In fiscal 2014, core profit (a measure of underlying profitability from core insurance operations on a non-consolidated basis) was ¥68.1 billion (down 6.1%). The positive spread was ¥13.6 billion (up 16.4%).

The solvency margin ratio, an index of administrative supervision indicating the management soundness of an insurance company, was 993.9% as of March 31, 2015 (compared to 981.3% as of March 31, 2014). The value of adjusted net assets (adjusted net assets are derived by subtracting non-capital adjusted liabilities from adjusted assets at fair market value) amounted to ¥1,163.4 billion as of March 31, 2015 (compared to ¥856.2 billion as of March 31, 2014).

### b) Daido Life

In fiscal 2014, core profit was ¥107.6 billion (down 2.7%). The positive spread was ¥24.1 billion (down 1.0%).

The solvency margin ratio was 1,363.7% as of March 31, 2015 (compared to 1,156.4% as of March 31, 2014). The value of adjusted net assets amounted to ¥1,288.4 billion as of March 31, 2015 (compared to ¥992.5 billion as of March 31, 2014).

### c) T&D Financial Life

In fiscal 2014, core profit was ¥6.9 billion (down 74.3%). The negative spread was ¥3.2 billion (up 15.1%).

The solvency margin ratio was 1,271.9% as of March 31, 2015 (compared to 1,051.2% as of March 31, 2014). The value of adjusted net assets amounted to ¥156.2 billion as of March 31, 2015 (compared to ¥124.9 billion as of March 31, 2014).

## Core Profit

Year ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY
	¥ billions							
Ordinary profit A	¥187.5	¥ 3.0	¥67.6	¥(4.6)	¥ 97.4	¥ 6.1	¥22.4	¥ 1.5
Capital gains (losses) B	5.9	28.8	(0.6)	(0.1)	5.0	14.0	1.5	14.9
One-time gains (losses) C	(1.1)	1.6	0.0	(0.0)	(15.2)	(4.9)	13.9	6.6
Core profit A–B–C	182.7	(27.4)	68.1	(4.4)	107.6	(3.0)	6.9	(20.0)

## Positive Spread

Year ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY
	¥ billions							
Positive spread	¥ 34.5	¥ 1.2	¥ 13.6	¥ 1.9	¥ 24.1	¥ (0.2)	¥ (3.2)	¥ (0.4)
Investment yield on core profit (%)	—	—	2.44	(0.11)	2.55	(0.13)	1.16	(0.09)
Average assumed investment yield (during the fiscal year) (%)	—	—	2.21	(0.13)	2.05	(0.10)	1.52	(0.16)
General account (accrued) policy reserve	11,609.6	587.9	5,942.5	173.1	4,771.3	175.0	895.7	239.7

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

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

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

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

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

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

## Adjusted Net Assets

		¥ billions							
		Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
Year ended March 31	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	2015	Increase (decrease) YoY	
Adjusted net assets	¥2,645.5	¥635.4	¥1,163.4	¥307.2	¥1,288.4	¥295.8	¥156.2	¥31.3	

## Solvency Margin Ratio

		¥ millions							
		Consolidated <sup>1</sup>		Taiyo Life <sup>2</sup>		Daido Life <sup>2</sup>		T&D Financial Life <sup>2</sup>	
As of March 31	2014	2015	2014	2015	2014	2015	2014	2015	
<b>Total solvency margin</b>	¥1,924,426	¥2,290,819	¥846,345	¥1,007,396	¥928,795	¥1,142,033	¥99,745	¥99,617	
Common stock, etc.	669,536	735,975	233,106	252,752	337,685	379,022	52,748	67,394	
Reserve for price fluctuations	150,040	155,190	74,620	77,367	74,844	77,108	574	714	
Contingency reserve	169,355	158,597	68,896	68,845	60,658	63,005	39,800	26,746	
Catastrophe loss reserve	—	—	—	—	—	—	—	—	
General reserve for possible loan losses	1,681	1,655	1,324	1,267	104	85	1	2	
Net unrealized gains on available-for-sale securities (before tax) (x 90 per cent, if gains; x 100 per cent, if losses)	492,617	810,029	268,252	448,767	223,783	360,056	454	1,017	
Net unrealized gains (losses) on real estate (x 85 per cent, if gains; x 100 per cent, if losses)	(16,665)	(707)	(38,033)	(30,571)	18,095	25,324	—	—	
The total amount of unrecognized actuarial gains and losses and unrecognized past service costs (prior to tax effect deduction)	—	—	—	—	—	—	—	—	
Excess amount of policy reserve based on Zillmer method	170,317	179,177	32,048	29,008	132,103	146,426	6,165	3,742	
Unallotted portion of reserve for policyholder dividends	16,863	17,028	9,638	9,684	7,225	7,344	—	—	
Deferred tax assets	122,185	135,333	47,891	51,675	74,294	83,658	—	—	
Subordinated debt	148,600	98,600	148,600	98,600	—	—	—	—	
The amount of non-margin portions in excess amount of policy reserve based on Zillmer method and subordinated debts	—	—	—	—	—	—	—	—	
Margin of small-amount short-term insurance company <sup>3</sup>	147	216	—	—	—	—	—	—	
Deductible items	(254)	(278)	—	—	—	—	—	—	
<b>Total risk<sup>4</sup></b>	345,186	375,326	172,482	202,706	160,627	167,483	18,977	15,664	
Insurance risk	R <sup>1</sup>	47,841	47,399	27,359	26,789	24,244	24,162	789	755
General insurance risk	R <sup>5</sup>	—	—	—	—	—	—	—	—
Catastrophe risk	R <sup>6</sup>	—	—	—	—	—	—	—	—
Third Sector insurance risk	R <sup>8</sup>	12,872	13,525	8,884	9,245	3,798	4,110	189	169
Insurance risk of small-amount short-term insurance company	R <sup>9</sup>	299	400	—	—	—	—	—	—
Assumed investment yield risk	R <sup>2</sup>	77,772	73,272	45,493	43,429	30,406	27,719	1,872	2,124
Minimum guarantee risk <sup>5</sup>	R <sup>7</sup>	11,479	5,966	16	16	775	762	10,687	5,187
Investment risk	R <sup>3</sup>	242,515	282,464	119,011	151,338	123,271	132,752	5,810	7,841
Business risk	R <sup>4</sup>	7,855	8,460	4,015	4,616	3,649	3,790	580	482
<b>Consolidated solvency margin ratio<sup>6</sup></b>	1,115.0%	1,220.7%	981.3%	993.9%	1,156.4%	1,363.7%	1,051.2%	1,271.9%	

Notes: 1. The above ratios are calculated in accordance with the Articles 210.11.3 and 210.11.4 of the ministerial ordinance for the Insurance Business Act as well as the Notification No. 23 issued by the Financial Services Agency in 2011.

2. The above ratios are calculated in accordance with the Articles 86, 87 of the Ordinance for Enforcement of the Insurance Business Act as well as the Announcement No. 50 issued by the Ministry of Finance in 1996.

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

4. Total risk =  $\{[(R_1^2 + R_2^2)^{1/2} + R_3 + R_4]^2 + (R_2 + R_3 + R_4)^2\}^{1/2} + R_4 + R_5$

5. "Minimum guarantee risk R<sup>7</sup>" is calculated using the standardized method regulated by the FSA.

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



## Business Risks and Other Risks

Below are risks related to the business of T&D Holdings, 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.

### 1. RISKS AS A HOLDING COMPANY

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

Because the Group is focused on the life insurance business, it is heavily reliant on the earnings of its three life insurance companies. For that reason, if the business circumstances of any of the three life insurance companies change, and/or the roles or positions of any of the three life insurance companies change, the 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 that can be paid by the three life insurance companies may be limited by the Insurance Business Act and/or the Japanese Companies Act. Also, if any of the three life insurance companies fails to record sufficient profits, they may not be in a position to pay dividends to 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 afforded by 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 go well 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.

## 2. RISK RELATED TO BUSINESS

### (1) Type of Risk Related to Directly Owned Subsidiaries

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

Type of Risk	Risk Characteristics and Countermeasures
Underwriting Risk	This is the risk of incurring losses due to disparities between economic trends or trends in mortality and morbidity rates and forecasts at the time of setting premiums. This includes the risk of a rapid increase in insurance claims, insurance benefits, and other payments due to an outbreak of a new strain of influenza.
Investment Risk	The Group classifies and manages investment risk according to three categories: market risk, credit risk, and real estate investment risk.
Market Risk	This is the risk of incurring losses due to changes in the value of owned assets and liabilities (including off-balance sheet assets) as a result of changes in interest rates, securities prices, foreign exchange rates, and various other factors.
Credit Risk	This is the risk of incurring losses due to a decline in the price or the complete eradication of the value of assets (including off-balance sheet assets) as a result of a deterioration 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 employee neglecting to perform operations correctly and/or causing accidents, performing illegal acts, or 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 negative information about the creditworthiness or negative evaluations of the Group or the life insurance industry among policyholders, investors, or the public at large through the media or the Internet that affects the earnings of Group companies adversely or causes a decline in share price.
Affiliate and Other Entity Risk	This is the risk of incurring losses due to deterioration of profitability, materialization of various risks, or other adverse factors at subsidiaries, affiliates and business investees of directly owned subsidiaries.

### (2) Risks Related to the Life Insurance Business

#### 1) Life Insurance Business

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

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

Life insurance companies are subject to regulation under the Insurance Business Act and oversight by the FSA. The Insurance Business Act

functions as a supervisory law for insurance companies and as an insurance companies act that stipulates the organization and operations of insurance companies.

#### a. Licenses

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

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

b. Restrictions on Business Scope

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

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

Further, the business scope of subsidiaries and other entities of insurance companies is subject to restrictions for the same reasons as those stated above. Also, revision of statutory regulations or changes in regulatory agencies' interpretation or application of them could affect the business results or financial position of the Company and the Group adversely.

c. Regulation and Oversight under the Insurance Business Act

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

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

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

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

Also, with respect to insurance companies, the commissioner of the FSA has general supervisory rights, including the right to receive reports and documents and conduct on-site inspections. If the regulatory agency took such supervisory measures with regard to the three life insurance companies or statutory regulations were revised or there were changes in the regulatory agency's interpretation or application of them, it could affect the business results or financial position of the Company and the Group adversely.

d. Solvency Margin Ratio

The term solvency margin indicates a surplus financial payment capability that covers exposure to unforeseeable risk, such as major earthquakes or stock market crashes. Life insurance companies have policy

reserves to ensure the payment of future insurance claims within the scope of regular, foreseeable risks. However, the solvency margin protects against risk that exceeds normal circumstances. The solvency margin ratio is calculated as the total amount of solvency margin (equity, reserve for price fluctuations, contingency reserve, reserve for possible loan losses, and others) divided by 1/2 of the quantified measure of the total amount of unforeseeable risk borne (total amount of risk).

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

(For details on the solvency margin ratio, please refer to "4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters" on pages 82–83.)

#### e. Adjusted Net Assets

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

(For details on adjusted net assets, please refer to “4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters” on pages 82–83.)

#### (2) Asset Management Regulations for Life Insurance Companies

##### a. Characteristics of Life Insurance Companies’ Liabilities and Capital

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

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

##### b. Regulation for Management of Life Insurance Funds

A change in the regulation for the management of life insurance funds mentioned below or a change in the regulatory agency’s interpretation or application of regulations could adversely affect the business results or financial position of the Company and the Group.

##### i) The necessity and characteristics of management regulation

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

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

##### ii) The asset management of separate account

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

With the separate account, to ensure that insurance companies can make payments to policyholders as needed, the assets that insurance companies manage in 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. Meanwhile, their expenditure mainly comprises the payment of insurance claims, annuities, and insurance benefits as well as losses on sales of securities, investment expenses, and operating expenses that include expenses for policy maintenance and solicitation.

##### i) Structure of the premium

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

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

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

ii) Policy reserve

Life insurance companies have policy reserves to ensure the reliable payment of future insurance claims. The revenue sources of policy reserves are insurance premiums and investment income, and they account for the largest portion of the liabilities of life insurance companies.

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

iii) 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, investment yield, and operating expense rate that insurance companies use as the basis of calculation of premiums, insurance companies return a portion of this surplus to policyholders as policyholder dividends. Meanwhile, although non-participating policies do not pay policyholder dividends, policyholders can normally receive the same protection as that of an equivalent participating policy at a lower premium.

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

b. Income and Losses of Life Insurance Companies

Generally, companies classify their statement of income into operating income or loss and nonoperating income or loss. However, life insurance companies classify their statement of income (the statement of operations) into insurance-related income or loss (income from insurance

premiums, insurance claims, and other payments and provisions for policy reserve and other reserves), investment gains or losses (investment income and investment expenses), and other gains or losses (other ordinary income, other ordinary expenses, and operating expenses).

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

c. A 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 established as part of efforts to promote better disclosure—life insurance companies have been disclosing core profit or loss as an indicator of the periodic income or loss of insurance business since fiscal 2000. Core profit or loss is ordinary profit or loss not including capital gains or losses, such as gains or losses on sales of securities and devaluation losses or valuation gains on securities, and one-time gains or losses, such as reversal of contingency reserve, provision for contingency reserve, write-off of loans, and others. Insurance companies disclose core profit or loss for reference only. Core profit is not an item in the income

statement (the statement of 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.

(For details on core profit or loss, please refer to “4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters” on pages 82–83.)

#### 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 “a. Characteristics of Life Insurance Accounting, i) structure of the premium” mentioned above.) Therefore, insurance companies need to secure investment income equivalent to the amount they discount each year (assumed interest). However, life insurance companies may be unable to generate enough investment income to cover assumed interest. In other words, they have negative spreads. The incurrence of negative spreads or an increase in negative spreads in the future, due to a change in financial conditions, could affect the business results or financial position of the T&D Life Group adversely.

(For details on the status of yield on investment income, etc. and average assumed investment yield of the Group, please refer to “4. Analysis of Sales Results (Non-consolidated), (2) Other Important Matters” on pages, 82–83.)

#### (4) Contributions to the Life Insurance Policyholders Protection

##### Corporation of Japan (PPC)

The PPC of Japan was established in December 1998 based on the Insurance Business Act to increase policyholder protection in the event of a life insurance company filing for bankruptcy. All life insurance companies conducting business in Japan, including the Japanese branches of foreign insurance companies, are members. As a system to mutually assist policyholders, etc., in the event that a life insurer files for bankruptcy, the PPC provides financial assistance for transferring life insurance policies of a failed insurer, manages the succeeding life insurance company, underwrites life insurance policies, offers financial assistance connected with payments of compensation insurance, and purchases insurance claims, among other activities. The financial assistance provided by the PPC to a failed insurer is furnished by contributions from members. Through March 31, 2017, the government may provide the PPC with additional funds if a life insurance company bankruptcy occurs and if the funds needed to cover policyholders are in excess of the funds contributed by members. Members

make annual contributions in accordance with standards specified in the PPC’s Articles of Incorporation for determining the cost of covering bankruptcies to date.

The Group will continue making these contributions for the time being. However, if the three life insurance companies’ shares of the total amounts of premiums and policy reserves in the life insurance industry change, their contributions to the PPC would change accordingly. As mentioned above, the Group’s contributions to the PPC could rise if a life insurance company files for bankruptcy and requires financial support from the PPC.

#### (5) Deferred Tax Assets

Based on generally accepted accounting principles and practices in Japan, for each taxable entity the Group recognizes the amounts that are expected to mitigate future tax burden as deferred tax assets, net of deferred tax liabilities, in the balance sheet. Because the recognition of deferred tax assets is based on various assumptions, including estimates of future taxable income, actual taxable income could differ from these assumptions. Further, a change in accounting standards or a change in the 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 could adversely affect the business results or financial position of the Group.

## 2) Competition

### (1) Life Insurance Companies

#### a. Competing Life Insurance Companies

As of March 31, 2015, including the Group’s three life insurance companies, there were 42 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

The new policy amount and the policy amount in force could decline in the future due to an aging society with low birthrates, a shrinking workforce or other factors. Under these conditions, new insurance companies with new channels have entered the market, there have

been industry realignments and strategic alliances in various forms, and it is possible that the domestic market will undergo further realignment. Moreover, as seen from the full deregulation of OTC sales at banks, the life insurance industry is expected to see further liberalization and deregulation. As a result, there is expected to be further escalation in competition on product prices and services in the life insurance industry, which could adversely affect the 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) T&D Life Group's Sales Strategy

The Group is the holding company for 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 OTC sales at financial institutions and other agents. Each company has different business strategies, target markets, and products.

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

#### a. Taiyo Life

##### i) Market

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

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

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

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

##### ii) Sales system

Taiyo Life sells life insurance products mainly through sales representatives. As of March 31, 2015, the company had 8,432 sales representatives. Sales representatives accounted for approximately 87% of Taiyo Life's new policy amount, individual insurance and individual annuities, for fiscal 2014. A significant reduction in the number of sales representatives would lower the sales capabilities of the company, which could affect its business results or financial position adversely.

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

##### iii) Increase in sales of comprehensive life insurance

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

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



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

b. Daido Life

i) Target market

Daido Life conducts sales activities focused on the SME market. Breaking down the new policy amount for fiscal 2014<sup>1</sup>, policies from the corporate market<sup>2</sup> accounted for 93.3% and policies from the household market accounted for 6.7%. SMEs are particularly susceptible to changes in the business climate. A decrease in new policies or an increase in surrender rates due to a deterioration in business results or an increase in bankruptcies among SMEs, which are the company's mainstay customers, could adversely affect the company's business results or financial position.

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

2. The aggregate of individual insurance, individual annuities, non-participating insurance for critical illnesses and non-participating insurance for disability income 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, the "Keieisha Ohgata Sougou Hosho Seido" of the National Federation of Corporate Taxpayers Associations (NFCTA, known as *Hojinkaï*), and the Tax Payment Associations (TPA, known as *Nouzei-kyokai*). Also, in 1976 Daido Life began underwriting the "Kigyo Bouei Seido" implemented by the TKC National Federation. Through these organizations, Daido Life sells insurance products to member companies or clients implemented by TKC members. Sales through these organizations underpin Daido Life's sales initiatives. The entry of competitors through tie-ups with the abovementioned organizations or these organizations' halting of recommendations of Daido Life's products could adversely affect the company's business results or financial position.

iii) Sales system

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

• In-house sales representatives channel

Daido Life's in-house sales representatives market products mainly to companies that are members of NFCTA and TPA. As of March 31, 2015, Daido Life had 3,790 in-house sales representatives. Daido Life hires high-quality personnel while developing sales representatives who possess highly specialized knowledge and sales techniques. However, a significant decrease in the number of sales representatives or productivity per sales representative could adversely affect the company's business results or financial position.

• Agency channel

As of March 31, 2015, Daido Life had 13,675 agents. Daido Life continually improves the competitiveness of its products and enhances its support capabilities, including upgrading the skills of staff who support agents. However, agencies that meet certain conditions handle the products of multiple life insurance companies. The handling of even more life insurance companies by such agencies, and a decrease in the handling of Daido Life's products among agencies, could adversely affect the company's business results or financial position.

iv) Products

Daido Life's main product is individual term life insurance. As of March 31, 2015, individual term life insurance accounted for 87.0% of Daido Life's policy amount in force\*.

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

Further, under the current income tax laws, corporations or other business proprietors are allowed to deduct as a business expense all or a portion of the cost of insurance premiums of individual term life insurance. Abolition or reduction of this treatment of insurance premiums due to a change in Japanese tax law or regulations could decrease the company's new policies or heighten the company's surrender rates, which could adversely affect the company's business results or financial position.

\* The amount calculated by adding the insured amounts of non-participating insurance for critical diseases and of non-participating insurance for disability income insurance to the policy amount in force of individual insurance and individual annuities.



### c. T&D Financial Life

#### i) Target market

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

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

#### ii) Sales system

T&D Financial Life mainly sells its products through OTC sales at financial institutions and insurance shop agents. As of March 31, 2015, the company had concluded agency agreements with 130 financial institutions.

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

#### iii) Products

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

### 3) Investment Risk

#### (1) Investment Risk of General Account and Separate Account

Life insurance companies have two different accounts: general account and separate account. Life insurance companies use 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. In separate account, meanwhile, because life

insurance companies reflect investment results directly in reserves that belong to policyholders, policyholders bear the investment risk.

#### (2) Overview of Market Risk

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

A decrease in unrealized gains or incurring unrealized losses due to a fall in the fair value of stocks in the Group's general 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 incurring unrealized losses due to higher interest rates or a fall 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 Marketable

###### Securities (currency exchange rate fluctuation risk)

A decrease in unrealized gains or incurring unrealized losses on marketable securities in the Group's general account due to higher interest rates or a fall in the fair value of marketable securities could adversely affect the Group's business results or financial position. Further, for information on the fair value of securities (securities with fair value that are not trading securities) in general account, please see page 129, Notes to Consolidated Financial Statements, Note 21, Investments in Securities.

#### (3) Overview of Credit Exposure

In regard to loans, bonds and suchlike, incurring losses due to a decline in the price or the complete eradication of the value of assets as a result of a deterioration of the financial positions of obligors could adversely affect the Group's business results or financial position. Further, for information on loans to bankrupt companies, past due loans, loans overdue for three months or more, and restructured loans, please see page 116, Notes to Consolidated Financial Statements, Note 3, Loans.

#### (4) Overview of Real Estate Investment Risk

In relation to real estate it owns, the Group could incur losses due to a decline in revenue derived from real estate held for investment purposes because of a change in lease fees or other factors. Further, the Group could incur losses due to a decline in the value of real estate because of a change in market conditions. Such events 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 page 150, Notes to Consolidated Financial Statements, Note 27, Real Estate for Rent.

#### 4) Ratings

Rating agencies rate the ability of life insurance companies to pay insurance claims. A 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 Directly Owned Subsidiaries

#### 1) Asset Management Business Risk

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

#### (4) Other Risk

##### 1) System Risk

Based on an awareness that the information and information systems of directly owned subsidiaries are important assets for the execution of business management strategies and business operations, the Board of Directors has 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 for individual insurance and business insurance operations and asset management operations, and their reliance on computer systems is increasing.

Given this situation, the Group is further strengthening its management of system risk. However, a significant malfunction of such systems would impede OTC operations 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 executives and personnel about these basic compliance policies and standards. Further, directly owned subsidiaries seek rigorous compliance by establishing and implementing compliance programs as action plans for each fiscal year. Also, these subsidiaries prepare compliance manuals, which provide concrete explanations of the interpretation of laws and statutory regulations that personnel must comply with when conducting operations. The subsidiaries use the manuals as guides for personnel and as training materials. In addition, the Group has established an internal reporting system, the T&D Life Group Helpline, through which all personnel and executives can report compliance violations within the Group.

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

##### 3) Handling of Personal Information

Based on policies and regulations for the protection of personal information, directly owned subsidiaries handle with utmost care over procedures when receiving, using, providing, storing, transferring, or disposing personal information.

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

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

Given the numerous leakages of personal information from companies in recent years, the 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, or financial position.

#### 4) Risk of a Catastrophe

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

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

## Capital Expenditures

### 1. OVERVIEW OF CAPITAL EXPENDITURES

The major capital expenditures for the year ended March 31, 2015 were as follows:

Company Name	Facility details	¥ millions
Taiyo Life Insurance Company	Conversion of rights associated with redevelopment (Shin-Nihombashi Building (provisional name))	6,774

### 2. STATUS OF MAJOR FACILITIES

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

#### (1) T&D Holdings, Inc.

Not applicable

## (2) Consolidated Subsidiaries in Japan

### 1) Taiyo Life Insurance Company

As of March 31, 2015

Offices (Location)	Facility details <sup>5</sup>	Carrying amount (¥ millions)				Total	Number of employees <sup>4</sup>
		Buildings	Land (m <sup>2</sup> ) <sup>3</sup>	Lease assets <sup>1</sup>	Others <sup>2</sup>		
Headquarters (Minato-ku, Tokyo)	(Investments)	¥ —	¥ —	¥ —	¥ —	¥ —	480
	(Business use)	134	(—)	694	232	1,061	—
Tokyo Computer Center (Urawa-ku, Saitama City)	(Investments)	2,390	2,012	—	—	4,403	208
	(Business use)	1,078	(6,495)	—	—	1,966	—
Taiyo Seimei Shinagawa Building (Minato-ku, Tokyo)	(Investments)	10,015	887	—	—	32,337	86
	(Business use)	439	(2,863)	—	—	1,417	—
Shin-Nihombashi Building (provisional name) (Chuo-ku, Tokyo)	(Investments)	—	22,321	—	11,569	11,569	—
	(Business use)	—	(4,904)	—	2,171	2,171	—
Sapporo Branch (Chuo-ku, Sapporo City) and 7 other properties, etc.	(Investments)	513	978	—	—	1,041	82
	(Business use)	1,127	(215)	—	—	1,878	503
Sendai Branch (Aoba-ku, Sendai City) and 13 other properties, etc.	(Investments)	1,377	528	—	—	2,306	77
	(Business use)	1,137	(1,007)	—	—	1,607	517
Tokyo Branch (Chiyoda-ku, Tokyo) and 53 other properties, etc.	(Investments)	5,129	[58]	—	568	11,778	467
	(Business use)	6,497	[278]	—	287	14,331	2,641
Nagoya Branch (Naka-ku, Nagoya City) and 22 other properties, etc.	(Investments)	1,532	928	—	—	3,849	225
	(Business use)	2,641	(2,725)	—	—	5,183	1,549
Osaka Branch (Chuo-ku, Osaka City) and 27 other properties, etc.	(Investments)	3,197	469	—	—	7,647	292
	(Business use)	4,468	(2,478)	—	—	9,357	1,555
Hiroshima Branch (Minami-ku, Hiroshima City) and 15 other properties, etc.	(Investments)	1,324	6,080	—	—	2,468	116
	(Business use)	1,407	(7,513)	—	—	2,659	654
Fukuoka Branch (Hakata-ku, Fukuoka City) and 15 other properties, etc.	(Investments)	2,082	[87]	—	—	5,120	211
	(Business use)	2,636	(5,312)	—	—	5,956	1,314
Building for rent: Nibancho Garden (Chiyoda-ku, Tokyo) and 33 other properties, etc.	(Investments)	8,058	7,546	—	395	30,824	—
	(Business use)	—	(20,994)	—	—	—	—
Kushiro Housing (Kushiro City, Hokkaido) • Villas for employees, etc.	(Investments)	—	[52]	—	—	—	—
	(Business use)	3,419	(601)	—	—	11,816	—

Notes: 1. Lease assets have all been recorded under Headquarters, as the carrying amount of lease assets used at each business site is minimal.

2. "Others" comprises ¥232 million of other tangible fixed assets and ¥14,992 million of construction in progress. Other tangible fixed assets mainly consist of furniture and fixtures, and are all recorded under Headquarters, as the carrying amount of movables used at each business site is minimal.

3. Figures enclosed in brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥21 million for land and ¥1,173 million for buildings. Among rent for buildings, rent related to Headquarters was ¥621 million.

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

5. "(Investments)" in the "Facility details" column indicates the entire portion which is partly used for leasing purposes within land and buildings primarily intended for business use.

## 2) Daido Life Insurance Company

As of March 31, 2015

Offices (Location)	Facility details	Carrying amount (¥ millions)				Total	Number of employees <sup>4</sup>
		Buildings	Land (m <sup>2</sup> ) <sup>3</sup>	Lease assets <sup>2</sup>	Others <sup>1</sup>		
Hokkaido Marketing Headquarters (Chuo-ku, Sapporo City), Hokkaido Branch and 1 other branch	(Investments)	¥ 483	¥ 385 (1,546)	¥ —	¥ 4	¥ 873	79
	(Business use)	124	79 (316)	—	0	204	126
Tohoku Marketing Headquarters (Aoba-ku, Sendai City), Sendai Branch and 3 other branches	(Investments)	727	703 (1,329)	—	—	1,431	119
	(Business use)	225	141 (398)	—	—	366	238
Tokyo Metropolitan Area Marketing Headquarters (Chuo-ku, Tokyo), Tokyo Branch and 23 other branches	(Investments)	9,387	38,001 (8,760)	—	1,501	48,891	480
	(Business use)	462	905 (1,183)	—	852	2,220	885
Kanto-Shinetsu Marketing Headquarters (Omiya-ku, Saitama City), Saitama Branch and 11 other branches	(Investments)	1,785	2,346 (4,301)	—	5	4,136	252
	(Business use)	432	444 (780)	—	0	877	469
Hokuriku Marketing Headquarters (Kanazawa City, Ishikawa Prefecture), Kanazawa Branch and 3 other branches	(Investments)	1,048	585 (2,009)	—	—	1,633	64
	(Business use)	143	89 (206) [70]	—	—	232	106
Tokai Marketing Headquarters (Nakamura-ku, Nagoya City), Nagoya Branch and 11 other branches	(Investments)	3,167	4,136 (4,992)	—	—	7,304	266
	(Business use)	780	922 (1,398)	—	—	1,702	427
Kinki Marketing Headquarters (Kita-ku, Osaka City), Osaka Branch and 15 other branches	(Investments)	7,849	8,023 (14,746)	—	151	16,024	403
	(Business use)	1,342	[118] 1,134 (3,459) [27]	—	15	2,491	679
Chugoku Marketing Headquarters (Naka-ku, Hiroshima City), Hiroshima Branch and 4 other branches	(Investments)	1,155	2,385 (3,544)	—	—	3,540	120
	(Business use)	353	366 (925)	—	—	720	201
Shikoku Marketing Headquarters (Takamatsu City, Kagawa Prefecture), Shikoku Branch and 1 other branch	(Investments)	1,429	1,287 (2,951)	—	—	2,716	59
	(Business use)	234	[515] 149 (477) [57]	—	—	384	131
North Kyushu Marketing Headquarters (Chuo-ku, Fukuoka City), Fukuoka Branch and 6 other branches	(Investments)	2,270	2,833 (3,578)	—	—	5,103	136
	(Business use)	701	830 (2,006)	—	—	1,531	305
South Kyushu Marketing Headquarters (Chuo-ku, Kumamoto City), Kumamoto Branch and 4 other branches	(Investments)	1,811	2,670 (3,162)	—	—	4,482	97
	(Business use)	450	609 (849)	—	—	1,060	223
Osaka Headquarters (Nishi-ku, Osaka City)	(Investments)	1,571	293 (572)	—	47	1,913	483
	(Business use)	5,571	1,041 (2,029)	—	1,135	7,749	—
Tokyo Headquarters (Minato-ku, Tokyo)	(Investments)	—	— (—)	—	—	—	590
	(Business use)	172	— (—)	590	—	762	—
Hayama Training Center, employee housing, etc. (Miura-gun, Kanagawa Prefecture)	(Investments)	—	— (—)	—	—	—	—
	(Business use)	2,291	7,056 (25,907) [178]	—	—	9,348	—

Notes: 1. "Others" comprises ¥1,183 million of movables and ¥2,533 million of construction in progress.

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

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

3. Figures enclosed in brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥58 million for land and ¥2,890 million for buildings. Among rent for buildings, rent related to Tokyo Headquarters was ¥758 million.

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

### 3) T&D Financial Life Insurance Company

As of March 31, 2015

Offices (Location)	Facility details	Carrying amount (¥ millions)				Total	Number of employees <sup>3</sup>
		Buildings	Land (m <sup>2</sup> )	Lease assets	Others <sup>1</sup>		
Headquarters (Minato-ku, Tokyo)			¥ —				
3 Regional Sales Promotion Departments	(Business use)	¥2	(—)	¥0	¥4	¥6	235

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

2. Rent related to real estate was ¥290 million for buildings. Among rent for buildings, the rent related to Headquarters was ¥149 million.

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

### 3. PLANS FOR NEW FACILITY ACQUISITION AND DISPOSAL

Plans for important new facility acquisition and disposal as of March 31, 2015 were as follows:

#### (1) New Facility Acquisition

As of March 31, 2015

Company	Offices (Location)	Facility details	Planned investment amount (¥ millions)		Funding method	Construction started	Planned completion date
			Total	Paid			
Taiyo Life Insurance Company	Shin-Nihombashi Building (provisional name) (Chuo-ku, Tokyo)	Office building	¥44,737	¥13,740	Own fund	March 2014	January 2018
Daido Life Insurance Company	Tokyo Nihombashi Tower (Chuo-ku, Tokyo)	Office building	9,637	1,695	Own fund	December 2012	April 2015

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

## Other

### STATUS OF STOCK HOLDINGS

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

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

Number of companies	47
Total carrying amount on the balance sheet	¥351,251 million

##### b) Holding Classification, Stock, Number of Shares, Carrying Amount on Balance Sheet and Holding Purpose of Investments in Stocks for which the Holding Purpose Is Other Than Purely Investment Purposes

## Specified Investment Shares

Year ended March 31, 2014

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

Regarded as Holding Shares

Not applicable

## Specified Investment Shares

Year ended March 31, 2015

Stock	Number of shares	Carrying amount on the balance sheets ¥ millions	Holding purpose
Komatsu Ltd.	34,000,716	¥80,326	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
Mitsui Fudosan Co., Ltd.	8,096,575	28,576	
Keio Corporation	29,310,161	27,639	
Mitsubishi Estate Co., Ltd.	8,700,000	24,246	
Mitsubishi Electric Corporation	14,350,000	20,498	
Daiwa Securities Group Inc.	21,140,000	19,998	
Tsubakimoto Chain Co.	18,398,316	18,416	
Sompo Japan Nipponkoa Holdings, Inc.	4,095,820	15,297	
Mitsubishi Chemical Holdings Corporation	18,838,372	13,160	
Tokyu Corporation	17,133,118	12,747	
Mitsubishi UFJ Financial Group, Inc.	15,220,718	11,319	
Shimadzu Corporation	7,411,520	9,938	
Mitsui & Co., Ltd.	5,760,800	9,286	
Electric Power Development Co., Ltd. (J-POWER)	1,538,040	6,229	
Kuraray Co., Ltd.	3,748,810	6,099	
Nippon Steel & Sumitomo Metal Corporation	16,537,500	5,002	
Ono Pharmaceutical Co., Ltd.	351,000	4,766	
TS Tech Co., Ltd.	1,400,000	4,543	
Obayashi Corporation	5,486,400	4,279	
Nisshin Steel Holdings, Co., Ltd.	2,650,000	3,982	
Kurimoto, Ltd.	12,090,750	2,768	
Raito Kogyo Co., Ltd.	2,734,500	2,688	
Tsukishima Kikai Co., Ltd.	1,885,000	2,335	
Mitsubishi Tanabe Pharma Corporation	1,085,000	2,237	
Sotetsu Holdings, Inc.	3,800,000	2,116	
Hokuetsu Kishu Paper Co., Ltd.	2,817,987	1,516	
Taikisha Ltd.	422,029	1,261	
Showa Denko K.K.	7,000,000	1,071	
Takasago Thermal Engineering Co., Ltd.	678,347	1,017	
Tsubakimoto Kogyo Co., Ltd.	2,869,027	889	

Regarded as Holding Shares

Not applicable

### c) Stocks for which the Holding Purpose Is Purely Investment Purposes

	Fiscal 2013 ¥ millions		Fiscal 2014 ¥ millions			
	Total carrying amount on the balance sheet	Total carrying amount on the balance sheet	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and carrying amount
Unlisted stocks	¥63,956	¥ 15,940	¥1,173	¥ 1	¥ 1	¥ 3,550
Stocks other than unlisted stocks	88,967	128,001	2,065	3,894	—	53,542



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

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

Number of companies	197
Total carrying amount on the balance sheet	¥278,676 million

## b) Holding Classification, Stock, Number of Shares, Carrying Amount on Balance Sheet and Holding Purpose of Investments in Stocks for which the Holding Purpose Is Other Than Purely Investment Purposes

## Specified Investment Shares

Year ended March 31, 2014

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

Regarded as Holding Shares

Not applicable

## Specified Investment Shares

Year ended March 31, 2015

Stock	Number of shares	Carrying amount on the balance sheets ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥47,722	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	627,900	22,485	
Astellas Pharma Inc.	9,455,500	18,603	
Ono Pharmaceutical Co., Ltd.	1,309,900	17,788	
EZAKI GLICO CO., LTD	3,500,400	17,011	
Kansai Paint Co., Ltd.	7,607,000	16,613	
NURNBERGER BETEIL NPV B (REGD) (VINKULIERT)	1,140,480	11,890	
Daiwa House Industry Co., Ltd.	5,000,000	11,855	
Konica Minolta Holdings, Inc.	9,040,518	11,038	
Fuji Machine Mfg. Co., Ltd.	6,684,000	9,143	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	8,074	
TKC Corporation	2,569,046	6,186	
Okasan Securities Group Inc.	5,500,000	5,252	
Mitsubishi Pencil Co., Ltd.	1,172,000	5,221	
The Shizuoka Bank, Ltd.	3,824,000	4,588	
The Kansai Electric Power Co., Inc.	3,656,550	4,192	
Mitsui Fudosan Co., Ltd.	1,000,000	3,529	
The Daishi Bank, Ltd.	7,056,000	2,984	
Tsukishima Kikai Co., Ltd.	2,115,700	2,621	
Meisei Industrial Co., Ltd.	4,032,700	2,601	
Teijin Limited	6,125,000	2,499	
Glory Ltd.	700,000	2,345	
Keihan Electric Railway Co., Ltd.	3,169,000	2,319	
Sompo Japan Nipponkoa Holdings, Inc.	618,525	2,310	

Regarded as Holding Shares

Not applicable

### c) Stocks for which the Holding Purpose Is Purely Investment Purposes

	Fiscal 2013 ¥ millions					Fiscal 2014 ¥ millions
	Total carrying amount on the balance sheet	Total carrying amount on the balance sheet	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and carrying amount
Unlisted stocks	¥72,905	¥14,880	¥2,886	¥ —	¥24	¥1,260
Stocks other than unlisted stocks	1,036	2,630	31	539	—	524

## 3) T&amp;D Holdings

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

Not applicable

b) Holding Classification, Stock, Number of Shares, Carrying Amount on Balance Sheet and Holding Purpose of Investments in Stocks for which the Holding Purpose Is Other Than Purely Investment Purposes

Not applicable

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

Not applicable

## BONDS ISSUED

Company	Type of instrument	Issuance date	Balance at April 1, 2014 ¥ millions	Balance at March 31, 2015 ¥ millions	Interest rate %	Security	Maturity date
Taiyo Life Insurance Company	Second series unsecured bonds with early redemption clause (subordinated and split-restricted small-number private placement)	November 11, 2009	¥14,000	¥ —	2.14	None	November 11, 2019
Taiyo Life Insurance Company	Third series unsecured bonds with early redemption clause (subordinated and limited to qualified institutional investors)	September 21, 2010	31,100	31,100	1.44	None	September 21, 2020
Taiyo Life Insurance Company	Fourth series unsecured bonds with early redemption clause (subordinated, limited to qualified institutional investors and split-restricted small-number private placement)	September 27, 2013	20,000	20,000	0.99	None	September 27, 2023
T&D Lease Co., Ltd.	Short-term debenture	February 24, 2014 to March 24, 2015	2,999	2,999 (2,999)	0.11–0.13	None	May 25, 2014 to June 24, 2015
<b>Total</b>	—	—	68,099	54,099 (2,999)	—	—	—

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

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

## BORROWINGS

Classification	Balance at April 1, 2014 ¥ millions	Balance at March 31, 2015 ¥ millions	Interest rate %	Maturity date
Short-term borrowings	—	—	—	—
Long-term borrowings due for repayment within one year	¥ 11,364	¥11,104	0.72	—
Lease obligations due for repayment within one year	702	435	0.91	—
Long-term borrowings (excluding the amount due for repayment within one year)	104,678	70,094	0.99	April 2016 to March 2025
Lease obligations (excluding the amount due for repayment within one year)	829	575	1.05	April 2016 to March 2020
Other interest-bearing liabilities	—	—	—	—
<b>Total</b>	<b>¥117,573</b>	<b>¥82,209</b>	—	—

- Notes: 1. The average interest rates shown are the weighted-average interest rates on the balance of borrowings at March 31, 2015.  
2. Scheduled repayments due within five years subsequent to the consolidated balance sheet date for long-term borrowings and lease obligations (excluding the amount due for repayment within one year) are as follows:

Classification	Over 1 year but within 2 years ¥ millions	Over 2 years but within 3 years ¥ millions	Over 3 years but within 4 years ¥ millions	Over 4 years but within 5 years ¥ millions
Long-term borrowings	¥8,560	¥6,794	¥4,425	¥2,183
Lease obligation	344	160	54	13