Management's Discussion and Analysis

Operating Results

1. RESULTS OF OPERATIONS

In fiscal 2015, the Japanese economy followed a gradual recovery path, mainly reflecting signs of improvement in the employment and income environment against the backdrop of strong corporate earnings, despite some signs of softness including concerns about economic slowdown in China and other emerging countries.

In the life insurance industry, new policy amount, policy amount in force, and premium income each remained mostly unchanged from the previous year. In the asset management environment, domestic stock prices gradually rose through the summer, but started to decline from midway through the fiscal year, due mainly to uncertainty in the Chinese economy and concerns about crude oil prices. At the same time, the yen appreciated in value. Moreover, both short-term and long-term domestic interest rates decreased following the decision by the Bank of Japan in January 2016 to adopt negative interest rates, with domestic interest rates turning negative for certain maturities.

Under these business conditions, the performance for T&D Holdings, Inc. (the "Company") for the year ended March 31, 2016 was as follows:

Ordinary revenues decreased ¥386.2 billion from the previous fiscal year to ¥2,025.9 billion (down 16.0%), which was the total of income from insurance premiums of ¥1,574.5 billion (down 19.6%), investment income of ¥379.7 billion (down 1.2%), other ordinary income of ¥71.6 billion (up 2.6%) and others.

Ordinary expenses decreased ¥368.7 billion, or 16.6%, from the previous fiscal year to ¥1,854.4 billion, which was the total of insurance claims and other payments of ¥1,302.8 billion (down 7.0%), provision for policy and other reserves of ¥194.3 billion (down 59.9%), investment expenses of ¥77.4 billion (up 16.6%), operating expenses of ¥198.9 billion (down 0.2%) and other ordinary expenses of ¥80.7 billion (up 14.2%).

As a result, ordinary profit decreased 9.3% from the previous fiscal year to ¥171.4 billion. Extraordinary gains decreased 27.5% to ¥0.1 billion, and extraordinary losses increased 253.3% to ¥29.4 billion. After accounting for extraordinary gains and losses, the provision for reserve for policyholder dividends, and income taxes, profit attributable to owners of parent decreased ¥21.6 billion, or 23.0%, from the previous fiscal year to ¥72.5 billion.

Comprehensive income was negative ¥84.4 billion compared to positive ¥351.2 billion in the previous fiscal year, which was a total of profit of ¥72.7 billion (down 22.9%) and total other comprehensive income of negative ¥157.2 billion (positive ¥256.8 billion in the previous fiscal year).

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 ¥1,574.5 billion (down 19.6%), consisting of ¥1,349.5 billion in premiums for individual insurance and individual annuities (down 21.8%), ¥59.1 billion for group insurance (down 1.7%), and ¥158.9 billion for group annuities (down 4.7%), and others.

At Taiyo Life, income from insurance premiums amounted to ¥657.1 billion, a decrease of ¥208.0 billion (down 24.0%) from fiscal 2014, mainly due to a decrease in single premiums from individual annuities.

At Daido Life, income from insurance premiums decreased ¥43.8 billion (down 5.5%) to ¥748.9 billion, mainly due to a decrease in single premiums from individual insurance.

At T&D Financial Life, income from insurance premiums decreased ¥132.3 billion (down 44.4%) to ¥165.4 billion, mainly due to a decrease in single premiums from individual insurance.

b) Investment Income

Total investment income was ¥379.7 billion, a decrease of 1.2% year on year. This was mainly due to declines of ¥35.4 billion in gains on separate accounts, net, and ¥20.0 billion in gains on investments in trading securities, net. These declines were partly offset by gains on interest, dividends and income from real estate for rent of ¥290.7 billion (up 1.0%), gains on sales of securities of ¥77.4 billion (up 124.8%) and gains from monetary trusts, net of ¥5.1 billion (losses of ¥1.7 billion in the previous fiscal year).

At Taiyo Life, investment income totaled ¥202.9 billion, an increase of ¥26.5 billion (up 15.0%) from the previous fiscal year. This was mainly due to a ¥30.5 billion increase in gains on sales of securities.

At Daido Life, investment income amounted to ¥165.1 billion, a decrease of ¥3.8 billion (down 2.3%) from the previous fiscal year. This was mainly due to a decrease of ¥20.0 billion in gains on investments in trading securities, net, despite increases of ¥11.1 billion in gains on sales of securities and ¥3.1 billion in gains on redemption of securities.

At T&D Financial Life, investment income totaled ¥14.2 billion, a decrease of ¥32.1 billion (down 69.3%) from the previous fiscal year. This was mainly due to a ¥32.6 billion decrease in gains on separate accounts, net.

Investment Income

¥ billions

Year ended March 31	Consolidated 2016	Consolidated Increase (decrease) YoY	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY	Daido Life 2016	Daido Life Increase (decrease) YoY	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY
Interest, dividends and income from real estate for rent	¥290.7	¥ 2.7	¥148.1	¥ (3.6)	¥136.6	¥ 6.3	¥ 7.4	¥ 0.2
Gains from monetary trusts, net	5.1	5.1	—	—	—	(0.0)	5.1	5.1
Gains on investments in trading securities, net	—	(20.0)	—	—	—	(20.0)	—	—
Gains on sales of securities	77.4	42.9	54.4	30.5	21.2	11.1	1.6	1.2
Gains on redemption of securities	3.1	3.1	—	—	3.1	3.1	—	—
Gains from derivatives, net	—	—	—	—	—	—	—	(6.1)
Foreign exchange gains, net	0.8	(0.8)	0.2	(0.2)	1.7	0.6	—	(0.0)
Reversal of reserve for possible loan losses	0.1	(0.0)	0.0	(0.0)	0.0	(0.1)	0.0	0.0
Other investment income	2.2	(2.2)	0.1	(0.0)	2.2	(2.1)	0.0	0.0
Gains on separate accounts, net	—	(35.4)	—	(0.0)	—	(2.8)	—	(32.6)
Total investment income	¥379.7	¥ (4.5)	¥202.9	¥26.5	¥165.1	¥ (3.8)	¥14.2	¥(32.1)

(2) Ordinary Expenses

a) Insurance Claims and Other Payments

Insurance claims and other payments totaled ¥1,302.8 billion (down 7.0%), comprising ¥376.4 billion in insurance claims (up 5.8%), ¥349.3 billion in annuity payments (down 23.6%), ¥163.8 billion in insurance benefits (down 7.7%), ¥341.5 billion in surrender payments (down 2.7%), and ¥71.6 billion in other payments (up 20.1%).

At Taiyo Life, insurance claims and other payments amounted to ¥604.2 billion, an increase of ¥37.8 billion (up 6.7%) from the previous fiscal year. This was mainly due to an increase of ¥22.7 billion in surrender payments for group annuities.

At Daido Life, insurance claims and other payments totaled ¥502.8 billion, an increase of ¥8.6 billion (up 1.7%) from the previous fiscal year. This was mainly due to an increase in payments for individual insurance.

At T&D Financial Life, insurance claims and other payments amounted to ¥194.3 billion, a decrease of ¥145.3 billion (down 42.8%) from the previous fiscal year. This was mainly due to a decrease of ¥112.3 billion in annuity payments.

b) Investment Expenses

Investment expenses totaled ¥77.4 billion (up 16.6% year on year), including ¥22.1 billion in losses from derivatives, net (down 34.7%), ¥16.3 billion in losses on sales of securities (up 134.6%), ¥15.5 billion in other investment expenses (down 0.9%), and ¥7.8 billion in losses on investments in trading securities, net (¥20.0 billion in gains on investments in trading securities, net in the previous fiscal year).

At Taiyo Life, investment expenses were ¥36.5 billion, an increase of ¥4.6 billion (up 14.6%) from the previous fiscal year. This was mainly due to a ¥4.8 billion increase in losses on sales of securities.

At Daido Life, investment expenses amounted to ¥34.4 billion, a decrease of ¥4.6 billion (down 12.0%) from the previous fiscal year. This was mainly due to a decrease of ¥19.8 billion in losses from derivatives, net, which was partly offset by an increase of ¥7.8 billion in losses on investments in trading securities, net, ¥4.5 billion in losses on sales of securities, and ¥3.5 billion in devaluation losses on securities.

At T&D Financial Life, investment expenses totaled ¥7.9 billion, an increase of ¥6.1 billion (up 338.1%) from the previous fiscal year. This was mainly due to an increase of ¥5.0 billion in losses on separate accounts, net.

(3) Ordinary Profit

Ordinary profit was ¥171.4 billion (down 9.3%).

Taiyo Life recorded ordinary profit of ¥79.1 billion, an increase of ¥11.5 billion (up 17.0%). This was mainly due to an increase in gains on sales of securities, despite an increase in the provision for reserve for employees' retirement benefits.

Daido Life recorded ordinary profit of ¥90.3 billion, a decrease of ¥7.1 billion (down 7.3%). This was mainly due to an increase in provision for reserve for employees' retirement benefits.

T&D Financial Life recorded ordinary profit of ¥1.2 billion, a decrease of ¥21.2 billion (down 94.6%).

Daido Life has recorded a provision for additional policy reserve for certain insurance policies.

(4) Extraordinary Gains/Losses

Total extraordinary gains totaled ¥0.1 billion (down 27.5%), mainly due to ¥0.0 billion in gains on disposal of fixed assets (down 92.8%) and ¥0.1 billion (up 185.9%) in state subsidy.

Total extraordinary losses amounted to ¥29.4 billion (up 253.3%), due to a provision for reserve for price fluctuations of ¥20.5 billion (up 299.3%), impairment losses of ¥4.2 billion (up 110.6%), and head office transfer cost of ¥2.5 billion (—%).

Investment Expenses

¥ billions

	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
Year ended March 31	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY
Interest expenses	¥ 0.9	¥ (0.9)	¥ 0.8	¥(0.9)	¥ 0.0	¥ 0.0	¥0.0	¥ 0.0
Losses from monetary trusts, net	—	(1.7)	—	—	—	—	—	(1.7)
Losses on investments in trading securities, net	7.8	7.8	—	—	7.8	7.8	—	—
Losses on sales of securities	16.3	9.3	9.8	4.8	6.5	4.5	—	(0.0)
Devaluation losses on securities	4.1	3.0	—	(0.4)	4.1	3.5	—	(0.0)
Losses from derivatives, net	22.1	(11.7)	19.8	0.3	0.7	(19.8)	1.5	1.5
Foreign exchange losses, net	—	—	—	—	—	—	1.1	1.1
Provision for reserve for possible loan losses	—	—	—	—	—	—	—	(0.0)
Write-off of loans	0.0	(0.0)	—	—	—	—	—	—
Depreciation of real estate for rent	4.9	(0.1)	2.3	0.0	2.6	(0.2)	—	—
Other investment expenses	15.5	(0.1)	3.6	0.8	12.0	(1.0)	0.1	0.0
Losses on separate accounts, net	5.5	5.5	0.0	0.0	0.4	0.4	5.0	5.0
Total investment expenses	¥77.4	¥11.0	¥36.5	¥ 4.6	¥34.4	¥ (4.6)	¥7.9	¥ 6.1

Taiyo Life posted extraordinary gains of ¥0.0 billion (down 97.8%) and extraordinary losses of ¥20.2 billion (up 273.8%).

Daido Life posted extraordinary gains of ¥13.2 billion (—%) and extraordinary losses of ¥8.7 billion (up 231.3%). The extraordinary gains mainly reflected the recording of ¥13.1 billion in gains on disposal of fixed assets with respect to Taiyo Life, which were eliminated upon consolidation with T&D Holdings, Inc.

T&D Financial Life posted extraordinary gains of ¥0.0 billion (—%) and extraordinary losses of ¥0.6 billion (up 256.5%).

(5) Profit Attributable to Owners of Parent

As a result of the foregoing, the Company recorded profit attributable to owners of parent of ¥72.5 billion, a decrease of ¥21.6 billion (down 23.0%).

Taiyo Life recorded net income of ¥26.8 billion, a decrease of ¥1.1 billion (down 4.0%).

Daido Life recorded net income of ¥54.4 billion, an increase of ¥3.2 billion (up 6.4%).

T&D Financial Life recorded net income of ¥0.4 billion, a decrease of ¥14.1 billion (down 96.6%).

(Reference)

Premiums Breakdown

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2015	2016	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)
Individual insurance	¥1,321,522	¥1,138,247	¥328,733	(2.4)	¥645,026	(6.2)	¥164,486	(44.6)
Individual annuities	403,684	211,318	179,874	(51.6)	30,800	(1.0)	643	(8.9)
Group insurance	60,132	59,113	32,589	(0.5)	26,523	(3.1)	—	—
Group annuities	166,724	158,910	114,370	(6.3)	44,392	(0.1)	147	(4.8)
Others	2,334	2,361	1,341	0.0	996	2.8	23	(4.8)
Total	¥1,954,398	¥1,569,950	¥656,909	(24.1)	¥747,740	(5.6)	¥165,300	(44.5)

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

¥ millions

Years ended March 31	Three Companies 2015	Three Companies 2016	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY (%)	Daido Life 2016	Daido Life Increase (decrease) YoY (%)	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY (%)
Individual insurance	¥292,944	¥301,331	¥131,798	(2.4)	¥138,881	3.2	¥30,651	31.5
Individual annuities	1,269	951	946	(24.4)	4	(73.5)	—	—
Group insurance	32,127	28,919	15,669	(8.1)	13,243	(12.2)	7	(3.8)
Group annuities	27,992	43,662	43,662	56.0	—	—	—	—
Others	225	165	0	(41.2)	154	(5.5)	11	(81.7)
Total	¥354,560	¥375,031	¥192,077	5.9	¥152,283	1.6	¥30,670	31.2

Annuity Payments

¥ millions

Years ended March 31	Three Companies 2015	Three Companies 2016	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY (%)	Daido Life 2016	Daido Life Increase (decrease) YoY (%)	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY (%)
Individual insurance	¥ 51	¥ 51	¥ —	—	¥ 51	0.7	¥ —	—
Individual annuities	425,991	316,191	168,505	(0.1)	38,418	7.3	109,267	(50.7)
Group insurance	512	507	402	0.9	93	(5.8)	11	(15.9)
Group annuities	30,740	32,376	22,735	10.0	9,463	(4.0)	177	(13.1)
Others	254	259	86	5.3	144	0.8	28	(2.5)
Total	¥457,550	¥349,387	¥191,730	1.0	¥48,171	4.8	¥109,485	(50.6)

Insurance Benefits

¥ millions

Years ended March 31	Three Companies 2015	Three Companies 2016	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY (%)	Daido Life 2016	Daido Life Increase (decrease) YoY (%)	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY (%)
Individual insurance	¥ 58,246	¥ 53,298	¥38,955	(10.2)	¥13,010	(2.0)	¥1,332	(15.0)
Individual annuities	25,625	22,594	9,541	8.4	8,062	5.1	4,990	(45.4)
Group insurance	212	199	33	(1.6)	166	(6.7)	—	—
Group annuities	93,127	87,517	29,323	5.3	57,978	(10.9)	216	12.1
Others	213	201	152	(10.9)	48	18.2	0	(95.0)
Total	¥177,425	¥163,812	¥78,006	(2.8)	¥79,265	(8.1)	¥6,539	(40.1)

Surrender Payments

¥ millions

Years ended March 31	Three Companies 2015	Three Companies 2016	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY (%)	Daido Life 2016	Daido Life Increase (decrease) YoY (%)	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY (%)
Individual insurance	¥246,043	¥255,946	¥38,526	(8.7)	¥194,289	2.7	¥23,130	58.7
Individual annuities	99,459	57,107	29,172	4.2	9,921	1.7	18,013	(70.8)
Group insurance	3	38	38	883.4	—	—	—	—
Group annuities	5,279	27,993	27,456	478.7	333	(36.7)	204	—
Others	402	471	251	39.4	215	(1.3)	4	6.5
Total	¥351,189	¥341,557	¥95,445	27.0	¥204,760	2.5	¥41,352	(45.8)

Other Payments

¥ millions

Years ended March 31	Three Companies 2015	Three Companies 2016	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY (%)	Daido Life 2016	Daido Life Increase (decrease) YoY (%)	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY (%)
Individual insurance	¥14,910	¥13,684	¥ 9,688	(14.3)	¥ 3,727	15.0	¥ 267	(27.4)
Individual annuities	31,787	30,224	24,021	(1.2)	336	(53.1)	5,865	(13.3)
Group insurance	0	0	—	(100.0)	0	(90.7)	—	—
Group annuities	10,388	24,724	12,729	229.8	11,987	83.9	8	(26.5)
Others	207	197	40	(36.5)	157	9.9	—	—
Total	¥57,293	¥68,831	¥46,480	17.6	¥16,209	52.6	¥6,141	(14.1)

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, 2016, stood at ¥14,674.2 billion (up 0.1% from the previous fiscal year-end).

This mainly comprised securities centered on domestic public and corporate bonds of ¥10,492.6 billion (down 3.3%), loans of ¥1,767.8 billion (down 5.1%), cash and deposits of ¥1,024.6 billion (up 206.6%), monetary trusts of ¥525.9 billion (up 20.2%), and tangible fixed assets of ¥315.4 billion (up 4.8%).

Total liabilities were ¥13,460.1 billion (up 1.1%), mostly comprising policy reserves of ¥12,892.4 billion (up 1.5%).

Total net assets amounted to ¥1,214.0 billion (down 9.7%). Within total net assets, net unrealized gains on securities were ¥487.2 billion (down 25.0%).

3. ANALYSIS OF CONSOLIDATED CASH FLOWS

Net cash provided by operating activities was ¥309.4 billion, a ¥307.3 billion decrease in cash inflow compared with the previous fiscal year.

Net cash used in investing activities was ¥18.5 billion, a ¥448.4 billion decrease in cash outflow compared with the previous fiscal year.

Net cash used in financing activities was ¥64.2 billion, a ¥12.0 billion decrease in cash outflow compared with the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2016 amounted to ¥1,124.9 billion, an increase of ¥225.3 billion from the beginning of the fiscal year (¥899.5 billion as of March 31, 2015).

4. ANALYSIS OF SALES RESULTS (NON-CONSOLIDATED)

(1) Sales Results

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

In fiscal 2015, the total new policy amount of individual insurance and individual annuities (including the net increase from conversions, same hereafter) was ¥5,899.3 billion (down 10.2%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥3,675.7 billion (down 0.1%).

As a result, the policy amount in force of individual insurance and individual annuities as of March 31, 2016, totaled ¥60,582.2 billion (up 0.4%).

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 2015 was ¥2,134.1 billion (down 24.9%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥1,255.9 billion (down 1.1%).

As a result, as of March 31, 2016, the total policy amount in force of individual insurance and individual annuities was ¥21,983.5 billion, a decrease of ¥171.0 billion (down 0.8%) from ¥22,154.5 billion at the previous fiscal year-end.

As of March 31, 2016, the total policy amount in force of group insurance was ¥9,885.3 billion (down 0.1%).

As of March 31, 2016, the total policy amount in force of group annuities (policy reserve, same hereafter) was ¥872.7 billion (down 1.4%).

b) Daido Life

The new policy amount of individual insurance and individual annuities for fiscal 2015 was ¥3,528.9 billion (up 3.6%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥2,358.2 billion (up 2.3%).

As a result, as of March 31, 2016, the total policy amount in force of individual insurance and individual annuities was ¥36,790.0 billion, an increase of ¥397.7 billion (up 1.1%) from ¥36,392.3 billion at the previous fiscal year-end.

As of March 31, 2016, the total policy amount in force of group insurance was ¥6,996.1 billion (down 6.0%).

As of March 31, 2016, the total policy amount in force of group annuities was ¥757.9 billion (down 4.0%).

c) T&D Financial Life

The new policy amount of individual insurance and individual annuities for fiscal 2015 was ¥236.2 billion (down 26.8%).

Meanwhile, the surrender and lapse amount of individual insurance and individual annuities was ¥61.5 billion (down 40.8%).

As a result, as of March 31, 2016, the total policy amount in force of individual insurance and individual annuities was ¥1,808.7 billion, an increase of ¥2.2 billion (up 0.1%) from ¥1,806.4 billion at the previous fiscal year-end.

As of March 31, 2016, the total policy amount in force of group insurance was ¥0.0 billion (down 24.8%).

As of March 31, 2016, the total policy amount in force of group annuities was ¥2.6 billion (down 14.6%).

Policy Amount in Force Breakdown

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2015	2016	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)
Individual insurance	¥54,310,733	¥54,698,119	¥17,665,700	(0.8)	¥35,494,173	1.2	¥1,538,245	9.1
Individual annuities	6,042,664	5,884,173	4,317,804	(0.5)	1,295,896	(0.8)	270,472	(31.8)
Subtotal	60,353,397	60,582,293	21,983,504	(0.8)	36,790,070	1.1	1,808,717	0.1
Group insurance	17,343,708	16,881,504	9,885,346	(0.1)	6,996,124	(6.0)	32	(24.8)
Group annuities	1,677,763	1,633,297	872,747	(1.4)	757,910	(4.0)	2,640	(14.6)
Others	9,150	9,104	4,570	0.4	4,159	(1.3)	375	(2.6)
Total	¥79,384,020	¥79,106,199	¥32,746,167	(0.6)	¥44,548,265	(0.2)	¥1,811,766	0.1

Note 1. Figures for individual annuities and group insurance (annuity 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

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2015	2016	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)
Individual insurance	¥6,115,807	¥5,657,453	¥1,930,663	(20.4)	¥3,490,558	3.7	¥236,231	(26.8)
Individual annuities	454,411	241,910	203,536	(50.9)	38,374	(3.5)	—	—
Subtotal	6,570,218	5,899,364	2,134,199	(24.9)	3,528,932	3.6	236,231	(26.8)
Group insurance	62,436	30,727	21,543	(63.5)	9,183	173.7	—	—
Group annuities	71	3	3	(94.6)	0	—	—	—
Others	11	14	1	72.7	10	926.6	2	(77.2)
Total	¥6,632,737	¥5,930,110	¥2,155,749	(25.7)	¥3,538,127	3.8	¥236,233	(26.8)

Note 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

The total of the core profit and the positive spread of the three life insurance companies was ¥153.0 billion (down 16.2%) and ¥40.2 billion (up 16.4%), respectively.

As of March 31, 2016, the consolidated solvency margin ratio was 1,155.8% (compared to 1,220.7% as of March 31, 2015) and the value of consolidated adjusted net assets amounted to ¥2,927.6 billion (compared to ¥2,645.5 billion as of March 31, 2015).

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

a) Taiyo Life

In fiscal 2015, core profit was ¥53.8 billion (down 21.1%). The positive spread was ¥12.7 billion (down 6.5%).

The solvency margin ratio was 890.6% as of March 31, 2016 (compared to 993.9% as of March 31, 2015). The value of adjusted net assets amounted to ¥1,251.2 billion as of March 31, 2016 (compared to ¥1,163.4 billion as of March 31, 2015).

b) Daido Life

In fiscal 2015, core profit was ¥104.8 billion (down 2.6%). The positive spread was ¥30.6 billion (up 26.8%).

The solvency margin ratio was 1,341.9% as of March 31, 2016 (compared to 1,363.7% as of March 31, 2015). The value of adjusted net assets amounted to ¥1,436.1 billion as of March 31, 2016 (compared to ¥1,288.4 billion as of March 31, 2015).

c) T&D Financial Life

In fiscal 2015, core profit was negative ¥5.5 billion (positive ¥6.9 billion in the previous fiscal year). The negative spread was ¥3.1 billion (down 2.8%).

The solvency margin ratio was 1,260.7% as of March 31, 2016 (compared to 1,271.9% as of March 31, 2015). The value of adjusted net assets amounted to ¥228.3 billion as of March 31, 2016 (compared to ¥156.2 billion as of March 31, 2015).

Core Profit

¥ billions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Year ended March 31	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY
Ordinary profit A	¥170.6	¥(16.8)	¥79.1	¥ 11.5	¥ 90.3	¥(7.1)	¥ 1.2	¥(21.2)
Capital gains (losses) B	27.7	21.8	25.0	25.6	4.1	(0.8)	(1.4)	(2.9)
One-time gains (losses) C	(10.2)	(9.0)	0.2	0.2	(18.7)	(3.5)	8.1	(5.7)
Core profit A–B–C	153.0	(29.6)	53.8	(14.3)	104.8	(2.8)	(5.5)	(12.4)

Positive Spread

¥ billions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Year ended March 31	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY
Positive spread (Negative value indicates negative spread)	¥ 40.2	¥ 5.6	¥ 12.7	¥ (0.8)	¥ 30.6	¥ 6.4	¥ (3.1)	¥ 0.0
Yield on investment income included in core profit (%)	—	—	2.32	(0.12)	2.55	—	1.19	0.03
Average assumed investment yield (during the fiscal year) (%)	—	—	2.11	(0.10)	1.94	(0.11)	1.48	(0.04)
General account (accrued) policy reserve	12,155.8	546.2	6,104.9	162.3	4,975.4	204.0	1,075.5	179.8

Note 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

Year ended March 31	Three Companies 2016	Three Companies Increase (decrease) YoY	Taiyo Life 2016	Taiyo Life Increase (decrease) YoY	Daido Life 2016	Daido Life Increase (decrease) YoY	T&D Financial Life 2016	T&D Financial Life Increase (decrease) YoY
Adjusted net assets	¥2,927.6	¥282.1	¥1,251.2	¥87.7	¥1,436.1	¥147.7	¥228.3	¥72.1

Solvency Margin Ratio

¥ millions

Years ended March 31		Consolidated[1] 2015	Consolidated[1] 2016	Taiyo Life[2] 2015	Taiyo Life[2] 2016	Daido Life[2] 2015	Daido Life[2] 2016	T&D Financial Life[2] 2015	T&D Financial Life[2] 2016
Total solvency margin		¥2,290,819	¥2,102,712	¥1,007,396	¥848,814	¥1,142,033	¥1,122,632	¥99,617	¥94,448
Capital stock, etc.[3]		735,975	759,218	252,752	261,221	379,022	408,408	67,394	67,886
Reserve for price fluctuations		155,190	175,759	77,367	95,199	77,108	79,655	714	903
Contingency reserve		158,597	152,903	68,845	68,517	63,005	65,809	26,746	18,576
Catastrophe loss reserve		—	—	—	—	—	—	—	—
General reserve for possible loan losses		1,655	1,482	1,267	1,210	85	65	2	0
Net unrealized gains on available-for-sale securities and deferred gains (losses) on hedging instruments (x 90 percent, if gains; x 100 percent, if losses)		810,029	590,290	448,767	304,878	360,056	282,137	1,017	2,966
Net unrealized gains (losses) on land (x 85 percent, if gains; x 100 percent, if losses)		(707)	16,802	(30,571)	(22,309)	25,324	24,520	—	—
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 the Zillmer method		179,177	196,715	29,008	27,574	146,426	165,026	3,742	4,114
Unallotted portion of reserve for policyholder dividends		17,028	16,891	9,684	9,546	7,344	7,344	—	—
Deferred tax assets		135,333	142,638	51,675	52,974	83,658	89,663	—	—
Subordinated debt		98,600	50,000	98,600	50,000	—	—	—	—
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[4]		216	305	—	—	—	—	—	—
Deductible items		(278)	(294)	—	—	—	—	—	—
Total risk $[\{(R_1^2+R_5^2)^{1/2}+R_8+R_9\}^2+(R_2+R_3+R_7)^2]^{1/2}+R_4+R_6$		375,326	363,834	202,706	190,614	167,483	167,308	15,664	14,983
Insurance risk	R^1	47,399	46,671	26,789	25,939	24,162	24,074	755	741
General insurance risk	R^5	—	—	—	—	—	—	—	—
Catastrophe risk	R^6	—	—	—	—	—	—	—	—
Third Sector insurance risk	R^8	13,525	14,363	9,245	9,717	4,110	4,488	169	157
Insurance risk of small-amount short-term insurance company	R^9	400	492	—	—	—	—	—	—
Assumed investment yield risk	R^2	73,272	67,926	43,429	41,219	27,719	24,344	2,124	2,362
Minimum guarantee risk[6]	R^7	5,966	3,084	16	17	762	755	5,187	2,312
Investment risk	R^3	282,464	279,224	151,338	141,563	132,752	135,903	7,841	9,818
Business risk	R^4	8,460	8,235	4,616	4,369	3,790	3,791	482	461
Consolidated solvency margin ratio $\frac{\text{(Total solvency margin)}}{\text{(Total risk)} \times 1/2} \times 100$		1,220.7%	1,155.8%	993.9%	890.6%	1,363.7%	1,341.9%	1,271.9%	1,260.7%

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

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

3. "Capital stock, etc." represents net assets on the balance sheet less total accumulated other comprehensive income and estimated appropriation paid in cash.

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

5. "Minimum guarantee risk R^7" is calculated using the standardized method regulated by the FSA.

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, and 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 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 84–85.)

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 84–85.)

(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. Regulations 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 regulations
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) Asset management of the separate account
The purpose of the separate account is to return investment gains directly to policyholders. Insurance companies manage this account separately from their other financial assets in the general account.

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

(3) Income and Expenditure Structure of the Life Insurance Business
a. Characteristics of Life Insurance Accounting
Life insurance companies' income mainly comprises premiums, income from interest and dividends, and gains on sales of securities. 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 business expense rate	Insurance companies project expenses required for business operations and include this in premiums. Rates set in accordance with the characteristics of each type of expense are called the assumed business expense rate.

ii) Policy reserve

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

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

iii) The structure of policyholder dividends

In life insurance, participating policies pay policyholder dividends and non-participating policies do not. For participating policies, if a surplus arises due to a difference between actual rates and the assumed mortality rate, 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 operation) 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, ordinary profit of life insurance companies is very susceptible to fluctuations in the investment environment, such as stock markets.

c. Breakdown of Ordinary Profit (Core Profit)

Changes in the investment environment, including fluctuations in conditions of stock and bond markets as well as foreign exchange rates, result in gains or losses on sales of securities, devaluation losses or valuation gains on securities, and foreign exchange gains or losses, thereby significantly affecting the ordinary profits or losses of life insurance companies. For this reason, and based on disclosure standards that the Life Insurance Association of Japan 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 84–85.)

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 84–85.)

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

The Life Insurance Policyholders Protection Corporation 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, 2016, including the Group’s three life insurance companies, there were 41 life insurance companies in Japan which have received a Life Insurance Business License or a Foreign Life Insurance Business License. All of these insurance companies are in a competitive relationship with the Group with respect to the solicitation and maintenance of life insurance policies. Intensification of this competition could adversely affect the business results or financial position of the Group.

b. Trends in the Life Insurance Industry

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. Taiyo Life conducts sales activities primarily in the household market. Consequently, most of Taiyo Life's policyholders are housewives. Women account for approximately 70% of Taiyo Life's new policyholders for 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, 2016, the company had 8,631 sales representatives. Sales representatives accounted for approximately 92% of Taiyo Life's new policy amount, individual insurance and individual annuities, for fiscal 2015. A significant reduction in the number of sales representatives would lower the sales capabilities of the company, which could affect its business results or financial position adversely.

In the future, there may be significant changes in the composition of sales channels in the life insurance industry as a whole due to growth in OTC sales at banks or insurance shop agent sales or other factors. Taiyo Life already sells products in the sales agent channel, including OTC sales at banks. However, a slow response from Taiyo Life to further changes or a dramatic decline in the superiority of the sales representative 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, the middle-aged and elderly people 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[1] for fiscal 2015, policies from the corporate market[2] accounted for 94.9% and policies from the household market accounted for 5.1%. 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.

Note 1. The amount calculated by adding the insured amounts of non-participating insurance for critical illness, non-participating disability income insurance, and non-participating whole life nursing care 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, non-participating disability income insurance, and non-participating whole life nursing care insurance marketed through franchise groups, and group insurance policies.

ii) Sales of partner-specific products

Since 1971, Daido Life has underwritten the comprehensive insurance plan, "*Keieisha Ogata Sogo Hosho Seido*" of the National Federation of Corporate Taxpayers Associations (NFCTA, known as *Hojinkai*), and the Tax Payment Associations (TPA, known as *Nozei-kyokai*). Also, in 1976 Daido Life began underwriting the "*TKC Kigyo Boei Seido*" implemented by the TKC National Federation. Through these organizations, Daido Life sells insurance products to member enterprises 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 agent channel mainly comprises tax accountants and Property & Casualty (P&C) insurance agencies.

• In-house sales representative channel

Daido Life's in-house sales representatives market products mainly to companies that are members of NFCTA and TPA. As of March 31, 2016, Daido Life had 3,867 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, 2016, Daido Life had 13,793 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 or 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 has traditionally been individual term life insurance. As of March 31, 2016, individual term life insurance accounted for 85.9% 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 illness, non-participating disability income insurance and non-participating whole life nursing care 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, 2016, the company had concluded agency agreements with 134 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, overpricing of services or delays 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 the General Account and the Separate Account

Life insurance companies have two different types of accounts: the general account and the separate account. Life insurance companies use the general account to make guaranteed payments to policyholders based on an assumed investment yield. Therefore, life insurance companies bear the risk of the actual investment yield falling below the assumed investment yield. In the 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 the general account, please see Notes to Consolidated Financial Statements, Note 23 Investments in Securities on page 132.

(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 Notes to Consolidated Financial Statements, Note 3 Loans on page 119.

(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 Notes to Consolidated Financial Statements, Note 29 Real Estate for Rent on page 154.

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 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 an infectious disease among pets could adversely affect the Group's business results or financial position.

(4) Other Risks

1) System Risk

Based on an awareness that the information and information systems of directly owned subsidiaries are important assets for the execution of business management strategies and business operations, the Board of Directors 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.

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

Given this situation, the Group is further strengthening its management of system risk. However, a significant malfunction of such systems would impede OTC operations at branches and asset management operations as well as reduce confidence in the three life insurance companies, which could cause a decrease in new policies or an increase in surrender rates. Such events could adversely affect the Group's business results or financial position.

2) Compliance

The Group has established the T&D Life Group CSR Charter, the Group Compliance Code of Conduct, and the T&D Life Group Basic Policy of Strengthening the Compliance Structure. The Group promotes compliance by informing executives and personnel about these basic compliance policies and compliance standards. Further, the Company and its directly owned subsidiaries seek rigorous compliance by establishing and implementing compliance programs as action plans for each fiscal year. Also, the Company and its directly owned subsidiaries prepare compliance manuals, which provide concrete explanations of the interpretation of laws and statutory regulations that personnel must comply with when conducting operations. The manuals are used as guides for personnel and as training materials. In addition, the Group has established the T&D Life Group Helpline as an internal reporting system, 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 receiving, using, providing, storing, transferring, and disposing personal information with utmost care.

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

In response to the Act on the Protection of Personal Information and the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure, which is a special act to the former act, the Company and its directly owned subsidiaries have implemented rigorous protection of personal information and control of information security by establishing or amending privacy policies, establishing organizations for the overall control and advancement of personal information protection, establishing managerial positions with responsibility for this area, preparing various regulations and manuals, and conducting education and training.

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

A leakage of personal information from the Group could adversely affect the Group's public credibility, reputation, business results, or financial position.

4) Risk of a Catastrophe

The Group's 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's insurance companies have built up contingency reserves in accordance with the Insurance Business Act of Japan, if these contingency reserves are insufficient to pay actual insurance claims, the Group's business results or financial position could be adversely affected.

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, 2016 were as follows:

Company Name	Description of capital expenditure	¥ millions
Daido Life Insurance Company	Acquisition of building sectional ownership of Tokyo Nihonbashi Tower	¥9,637

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, 2016

Offices (Location)	Facility details[5]	Carrying amount (¥ millions)					Number of employees[4]
		Buildings	Land (m²)[3]	Lease assets[1]	Others[2]	Total	
Headquarters (Chuo-ku, Tokyo)	(Investments)	¥ 1,197	¥ 3,330 (142)	¥ —	¥ —	¥ 4,527	459
	(Business use)	3,826	10,431 (444)	687	339	15,285	—
Tokyo Computer Center (Urawa-ku, Saitama City)	(Investments)	2,341	2,012 (6,495)	—	—	4,354	188
	(Business use)	1,053	887 (2,863)	—	—	1,941	—
Taiyo Seimei Shinagawa Building (Minato-ku, Tokyo)	(Investments)	9,694	22,321 (4,904)	—	225	32,240	89
	(Business use)	425	978 (215)	—	9	1,413	—
Nihombashi Building (provisional name) (Chuo-ku, Tokyo)	(Investments)	—	— (—)	—	11,570	11,570	—
	(Business use)	—	— (—)	—	2,171	2,171	—
Sapporo Branch (Chuo-ku, Sapporo City) and 7 other properties, etc.	(Investments)	673	551 (1,030) [58]	—	—	1,224	79
	(Business use)	1,207	727 (2,774) [278]	—	—	1,934	479
Sendai Branch (Aoba-ku, Sendai City) and 11 other properties, etc.	(Investments)	1,280	581 (2,126)	—	—	1,861	75
	(Business use)	1,036	413 (2,191)	—	—	1,449	506
Tokyo Branch (Chiyoda-ku, Tokyo) and 57 other properties, etc.	(Investments)	6,324	8,966 (7,860) [87]	—	—	15,290	467
	(Business use)	6,607	7,714 (15,161) [52]	—	—	14,322	2,698
Nagoya Branch (Naka-ku, Nagoya City) and 21 other properties, etc.	(Investments)	953	1,508 (2,816)	—	—	2,461	215
	(Business use)	2,492	2,516 (7,305) [601]	—	—	5,009	1,565
Osaka Branch (Chuo-ku, Osaka City) and 27 other properties, etc.	(Investments)	3,267	4,437 (5,978)	—	—	7,704	276
	(Business use)	4,391	4,873 (10,496)	—	—	9,264	1,599
Hiroshima Branch (Minami-ku, Hiroshima City) and 15 other properties, etc.	(Investments)	1,444	1,152 (3,314)	—	—	2,597	112
	(Business use)	1,443	1,243 (3,557)	—	—	2,686	627
Fukuoka Branch (Hakata-ku, Fukuoka City) and 15 other properties, etc.	(Investments)	2,148	3,119 (3,895)	—	—	5,267	208
	(Business use)	2,654	3,239 (5,250)	—	—	5,893	1,360
Building for rent: Nibancho Garden (Chiyoda-ku, Tokyo) and 36 other properties, etc.	(Investments)	10,377	23,527 (24,660)	—	1,113	35,019	—
	(Business use)	—	— (—)	—	—	—	—
Sapporo Housing (Sapporo City, Hokkaido) • Villas for employees, etc.	(Investments)	—	— (—)	—	—	—	—
	(Business use)	3,570	8,480 (61,078) [104]	—	—	12,050	—

Note 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 ¥339 million of other tangible fixed assets and ¥15,089 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 square brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥18 million for land and ¥1,070 million for buildings. Among rent for buildings, rent related to Headquarters was ¥486 million.

4. In the "Number of employees" column, the upper row indicates the number of office workers, whereas the lower row indicates the total number 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, 2016

Offices (Location)	Facility details	Carrying amount (¥ millions)					Number of employees[4]
		Buildings	Land (m²)[3]	Lease assets[2]	Others[1]	Total	
Hokkaido Marketing Headquarters (Chuo-ku, Sapporo City), Hokkaido Branch and 1 other branch	(Investments)	¥ 133	¥ 1,328 (1,789)	¥ —	¥ 22	¥ 1,484	69
	(Business use)	71	272 (366)	—	4	348	124
Tohoku Marketing Headquarters (Aoba-ku, Sendai City), Sendai Branch and 4 other branches	(Investments)	685	703 (1,329)	—	—	1,388	122
	(Business use)	218	141 (398)	—	—	359	234
Tokyo Metropolitan Area Marketing Headquarters (Chuo-ku, Tokyo), Tokyo Branch and 24 other branches	(Investments)	10,430	37,722 (8,358)	—	—	48,152	487
	(Business use)	456	280 (594)	—	—	737	882
Kanto-Shinetsu Marketing Headquarters (Omiya-ku, Saitama City), Saitama Branch and 11 other branches	(Investments)	1,338	1,634 (4,301)	—	5	2,979	253
	(Business use)	338	298 (780)	—	0	638	483
Hokuriku Marketing Headquarters (Kanazawa City, Ishikawa Prefecture), Kanazawa Branch and 3 other branches	(Investments)	840	496 (2,009) [590]	—	—	1,336	64
	(Business use)	100	69 (206) [70]	—	—	170	128
Tokai Marketing Headquarters (Nakamura-ku, Nagoya City), Nagoya Branch and 12 other branches	(Investments)	3,059	4,133 (4,983)	—	—	7,192	269
	(Business use)	766	925 (1,407)	—	—	1,691	449
Kinki Marketing Headquarters (Kita-ku, Osaka City), Osaka Branch and 16 other branches	(Investments)	8,176	8,023 (14,746) [118]	—	—	16,199	402
	(Business use)	1,410	1,134 (3,459) [27]	—	—	2,544	693
Chugoku Marketing Headquarters (Naka-ku, Hiroshima City), Hiroshima Branch and 5 other branches	(Investments)	1,134	2,385 (3,544)	—	1	3,520	120
	(Business use)	363	366 (925)	—	0	730	211
Shikoku Marketing Headquarters (Takamatsu City, Kagawa Prefecture), Shikoku Branch and 1 other branch	(Investments)	1,435	1,286 (2,919) [515]	—	—	2,722	59
	(Business use)	252	150 (510) [57]	—	—	402	129
North Kyushu Marketing Headquarters (Chuo-ku, Fukuoka City), Fukuoka Branch and 6 other branches	(Investments)	1,993	2,294 (3,614)	—	—	4,287	137
	(Business use)	626	646 (1,970)	—	—	1,272	293
South Kyushu Marketing Headquarters (Chuo-ku, Kumamoto City), Kumamoto Branch and 4 other branches	(Investments)	1,337	1,898 (3,162)	—	—	3,235	98
	(Business use)	379	513 (849)	—	—	893	241
Osaka Headquarters (Nishi-ku, Osaka City)	(Investments)	1,645	293 (572)	—	45	1,985	626
	(Business use)	5,835	1,041 (2,029)	—	1,206	8,083	—
Tokyo Headquarters (Chuo-ku, Tokyo)	(Investments)	932	112 (108)	—	—	1,045	590
	(Business use)	5,286	634 (614)	1,105	—	7,027	—
Hayama Training Center, employee housing, etc. (Miura-gun, Kanagawa Prefecture)	(Investments)	—	— (—)	—	—	—	—
	(Business use)	2,255	6,658 (25,907) [178]	—	—	8,914	—

Note 1. "Others" comprises ¥1,252 million of movables and ¥34 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 square brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥28 million for land and ¥2,788 million for buildings. Among rent for buildings, rent related to Tokyo Headquarters was ¥581 million.
4. In the "Number of employees" column, the upper row indicates the number of office workers, whereas the lower row indicates the total number of sales representatives.

3) T&D Financial Life Insurance Company

As of March 31, 2016

Offices (Location)	Facility details	Carrying amount (¥ millions) Buildings	Land (m^2)	Lease assets	Others[1]	Total	Number of employees[3]
Headquarters (Minato-ku, Tokyo) 3 Regional Sales Promotion Departments	(Business use)	¥191	¥ — (—)	¥0	¥76	¥267	236

Note 1. "Others" represents other tangible fixed assets 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 ¥262 million for buildings. Among rent for buildings, the rent related to Headquarters was ¥159 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, 2016 were as follows:

(1) New Facility Acquisition

As of March 31, 2016

Company	Offices (Location)	Facility details	Planned investment amount (¥ millions) Total	Paid	Funding method	Construction started	Planned completion date
Taiyo Life Insurance Company	Nihonbashi Building (provisional name) (Chuo-ku, Tokyo)	Office building	¥44,737	¥13,741	Own fund	March 2014	January 2018

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

Other Data

1. STATUS OF STOCKHOLDINGS

(1) Taiyo Life — the subsidiary with the largest stockholding

1) 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 ¥298,117 million

2) Holding classification, stock, number of shares, carrying amount on the 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, 2015

Stock	Number of shares	Carrying amount on the balance sheet ¥ 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 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.

Specified Investment Shares

Year ended March 31, 2016

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Komatsu Ltd.	34,000,716	¥65,145	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
Keio Corporation	27,310,161	26,982	
Mitsui Fudosan Co., Ltd.	7,946,575	22,313	
Mitsubishi Electric Corporation	14,350,000	16,925	
Daiwa Securities Group Inc.	24,140,000	16,712	
Tokyu Corporation	17,133,118	16,156	
Mitsubishi Estate Co., Ltd.	7,700,000	16,096	
SHIMADZU CORPORATION	7,411,520	13,081	
Tsubakimoto Chain Co.	18,398,316	12,823	
Mitsubishi Chemical Holdings Corporation	18,838,372	11,067	
Sompo Japan Nipponkoa Holdings, Inc.	3,071,820	9,792	
ONO PHARMACEUTICAL CO., LTD.	1,755,000	8,362	
Mitsubishi UFJ Financial Group, Inc.	15,220,718	7,937	
MITSUI & CO., LTD.	5,660,800	7,330	
Obayashi Corporation	5,486,400	6,089	
Electric Power Development Co., Ltd. (J-POWER)	1,085,040	3,813	
TS Tech Co., Ltd.	1,400,000	3,687	
NIPPON STEEL & SUMITOMO METAL CORPORATION	1,653,750	3,575	
Nisshin Steel Co., Ltd.	2,650,000	3,479	
KURARAY CO., LTD.	2,382,010	3,277	
RAITO KOGYO CO., LTD.	2,734,500	2,843	
Sotetsu Holdings, Inc.	3,800,000	2,622	
Mitsubishi Tanabe Pharma Corporation	1,085,000	2,123	
Hokuetsu Kishu Paper Co., Ltd.	2,817,987	1,890	
Kurimoto, Ltd.	12,090,750	1,861	
TSUKISHIMA KIKAI Co., Ltd.	1,885,000	1,819	
Taikisha Ltd.	422,029	1,145	
Takasago Thermal Engineering Co., Ltd.	678,347	959	
TOPPAN PRINTING CO., LTD.	949,088	895	
Tsubakimoto Kogyo Co., Ltd.	2,869,027	857	

Regarded as holding shares

Not applicable.

(3) Stocks for which the holding purpose is purely investment purposes

	Fiscal 2014 ¥ millions	Fiscal 2015 ¥ 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	¥ 15,940	¥ 19,313	¥ 31	¥ 16	¥—	¥ 2,166
Stocks other than unlisted stocks	128,001	125,770	3,076	9,139	—	31,375

(2) Daido Life — the subsidiary with the second largest stockholding

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

Number of companies	194
Total carrying amount on the balance sheet	¥270,381 million

2) 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, 2015

Stock	Number of shares	Carrying amount on the balance sheet ¥ 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	627,300	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, 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 Company, Incorporated	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.

Specified Investment Shares

Year ended March 31, 2016

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥33,464	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.
ONO PHARMACEUTICAL CO., LTD.	6,549,500	31,208	
EZAKI GLICO CO., LTD	3,500,400	20,197	
SMC Corporation	627,300	16,397	
Daiwa House Industry Co., Ltd.	5,000,000	15,830	
Astellas Pharma Inc.	9,455,500	14,150	
Kansai Paint Co., Ltd.	7,607,000	13,753	
NURNBERGER BETEIL NPV B (REGD) (VINKULIERT)	1,436,830	11,541	
Resona Holdings, Inc.	28,590,000	11,481	
KONICA MINOLTA, INC.	9,040,518	8,642	
TKC Corporation	2,569,046	7,848	
FUJI MACHINE MFG. CO., LTD.	6,684,000	7,679	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	7,007	
Mitsubishi Pencil Co., Ltd.	1,172,000	5,660	
The Kansai Electric Power Company, Incorporated	3,656,550	3,644	
OKASAN SECURITIES GROUP INC.	5,875,000	3,454	
THE SHIZUOKA BANK, LTD.	3,824,000	3,105	
Mitsui Fudosan Co., Ltd.	1,000,000	2,808	
The Daishi Bank, Ltd.	7,056,000	2,730	
GLORY LTD.	700,000	2,677	
Sekisui House, Ltd.	1,400,000	2,659	
Keihan Electric Railway Co., Ltd.	3,169,000	2,513	
TEIJIN LIMITED	6,125,000	2,401	
MOS FOOD SERVICES, INC.	790,760	2,325	

Regarded as holding shares

Not applicable.

(3) Stocks for which the holding purpose is purely investment purposes

	Fiscal 2014 ¥ millions	Fiscal 2015 ¥ 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	¥14,880	¥16,769	¥1,591	¥ —	¥491	¥778
Stocks other than unlisted stocks	2,630	16,236	236	(207)	—	(182)

(3) T&D Holdings

(1) Investments in stocks for which the holding purpose is other than purely investment purposes

Not applicable.

(2) 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.

(3) Stocks for which the holding purpose is purely investment purposes

Not applicable.

2. BONDS ISSUED

Company	Type of instrument	Issuance date	Balance as of April 1, 2015 ¥ millions	Balance as of March 31, 2016 ¥ millions	Interest rate %	Security	Maturity date
T&D Holdings, Inc.	Zero Coupon Convertible Bonds due 2020	June 5, 2015	¥ —	¥30,125	—	None	June 5, 2020
Taiyo Life Insurance Company	Third series unsecured bonds with early redemption clause (subordinated and limited to qualified institutional investors)	September 21, 2010	31,100	—	1.44	None	September 21, 2020
Taiyo Life Insurance Company	Forth series unsecured bonds with early redemption clause (subordinated, limited to qualified institutional investors and split-restricted small-number private placement)	September 27, 2013	20,000	20,000	0.99	None	September 27, 2023
T&D Lease Co., Ltd.	Short-term debenture	February 24, 2015 to March 23, 2016	2,999	2,999 (2,999)	0.01–0.12	None	May 22, 2015 to June 23, 2016
Total	—	—	54,099	53,124 (2,999)	—	—	—

Note 1. Description of the convertible bonds is as follows:

Type of instrument	Zero Coupon Convertible Bonds due 2020
To be issued stock	Common stock
Issue price of the stock acquisition right (yen)	No compensation
Issue price of the stock (yen)	2,713.0
Total amount of the issue (million yen)	30,000
Total amount of the stock issued by the exercise of the stock acquisition right (million yen)	—
Grant rate of the stock acquisition right (%)	100
Exercise period of the stock acquisition right	From June 19, 2015 to May 22, 2020

Note: At the request of those exercising stock acquisition rights, the amount to be paid upon the exercise of the stock acquisition rights shall be considered to have been paid in full in lieu of the redemption of the full amount of the bonds to which the stock acquisition rights are attached. In addition, such a request shall be deemed to have been made when the stock acquisition rights are exercised.

2. The interest rate shown for the third series unsecured bonds is the annual interest rate from September 22, 2010 to September 21, 2015. The interest rate from the following day of September 22, 2015 onward is the offered rate of LIBOR six-month yen deposit plus 2.30%.
3. The interest rate shown for the fourth series unsecured bonds is the annual interest rate from September 28, 2013 to September 27, 2018. The interest rate from the following day of September 28, 2018 onward is the offered rate of LIBOR six-month yen deposit plus 2.02%.
4. Figures enclosed in brackets in the “Balance as of March 31, 2016” column are amounts of short-term debentures due within one year.
5. Scheduled redemptions due within five years subsequent to the consolidated closing date are as follows:

Within one year ¥ millions	Over 1 year and within 2 years ¥ millions	Over 2 years and within 3 years ¥ millions	Over 3 years and within 4 years ¥ millions	Over 4 years and within 5 years ¥ millions
¥3,000	¥—	¥—	¥—	¥30,000

3. BORROWINGS

Classification	Balance as of April 1, 2015 ¥ millions	Balance as of March 31, 2016 ¥ millions	Interest rate %	Maturity date
Short-term borrowings	¥ —	¥ —	—	—
Long-term borrowings due for repayment within one year	11,104	11,252	0.63	—
Lease obligations due for repayment within one year	435	564	0.92	—
Long-term borrowings (excluding the amount due for repayment within one year)	70,094	53,800	0.84	From April 2017 to March 2026
Lease obligations (excluding the amount due for repayment within one year)	575	1,371	0.54	From April 2017 to March 2026
Other interest-bearing liabilities	—	—	—	—
Total	82,209	66,989	—	—

Note 1. The average interest rates shown are the weighted-average interest rates of the balance of borrowings as of March 31, 2016.

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

Classification	Over 1 year and within 2 years ¥ millions	Over 2 years and within 3 years ¥ millions	Over 3 years and within 4 years ¥ millions	Over 4 years and within 5 years ¥ millions
Long-term borrowings	¥9,486	¥7,117	¥4,875	¥1,830
Lease obligations	399	339	296	215