

Corporate Data

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Selected Financial Data

T&D HOLDINGS

Years ended March 31	2012	2013	2014	2015	2016
¥ millions					
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥1,691,207	¥1,940,900	¥1,609,732	¥1,958,055	¥1,574,506
Investment income	325,066	402,985	397,818	384,223	379,707
Other ordinary income	87,814	75,043	78,146	69,847	71,665
Equity in net income of affiliated companies	19	29	37	38	46
Total ordinary revenues	2,104,107	2,418,959	2,085,734	2,412,165	2,025,925
Ordinary expenses:					
Insurance claims and other payments	1,524,837	1,343,556	1,520,988	1,401,534	1,302,899
Provision for policy and other reserves	63,423	516,959	22,597	485,139	194,387
Investment expenses	110,547	118,387	86,680	66,427	77,477
Operating expenses	201,047	203,781	197,655	199,435	198,999
Other ordinary expenses	83,363	84,584	71,588	70,686	80,727
Total ordinary expenses	1,983,218	2,267,269	1,899,510	2,223,222	1,854,490
Ordinary profit	120,889	151,689	186,224	188,943	171,434
Net extraordinary gains (losses)	(18,415)	(27,483)	(30,736)	(8,105)	(29,274)
Provision for reserve for policyholder dividends	30,444	31,197	31,638	32,555	31,920
Income before income taxes	72,029	93,008	123,849	148,281	110,239
Income taxes:					
Current	1,852	27,436	48,113	44,147	46,075
Deferred	43,215	1,644	(3,402)	9,755	(8,561)
Total income taxes	45,067	29,081	44,711	53,903	37,513
Profit attributable to non-controlling interests	198	193	155	163	179
Profit attributable to owners of parent	¥ 26,763	¥ 63,733	¥ 78,982	¥ 94,215	¥ 72,547

As of March 31	2012	2013	2014	2015	2016
¥ millions					
Balance Sheet Data:					
Assets:					
Total assets	¥12,861,065	¥13,668,719	¥13,804,219	¥14,664,705	¥14,674,207
Liabilities:					
Policy reserves	11,698,127	12,209,259	12,226,787	12,707,957	12,892,482
Total liabilities	12,175,476	12,748,972	12,783,895	13,319,755	13,460,145
Net assets:					
Total stockholders' equity	568,526	617,210	683,519	749,436	775,208
Total accumulated other comprehensive income	114,931	299,970	333,929	592,301	435,331
Total net assets	¥ 685,588	¥ 919,746	¥ 1,020,324	¥ 1,344,950	¥ 1,214,061

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

Years ended March 31	2012	2013	2014	2015	2016
¥ millions					
Policy Results: *					
Policy amount in force	¥58,780,149	¥59,996,511	¥60,699,818	¥62,117,777	¥62,998,174
New policy amount	6,630,911	7,158,927	6,639,823	7,227,221	6,685,973
Surrender and lapse amount	4,269,084	4,071,327	3,967,421	3,752,457	3,789,522
* The total of individual insurance, individual annuities and Daido Life's "J-type product," "T-type product" and "Kaigo Relief." The new policy amount includes increase from conversions.					
Other Data:					
Core profit	¥ 144,909	¥ 182,498	¥ 210,256	¥ 182,766	¥ 153,097
Embedded value *	1,543,000	1,664,400	1,970,100	2,298,000	1,893,700
Consolidated solvency margin ratio	810.6%	943.8%	1,115.0%	1,220.7%	1,155.8%

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

TAIYO LIFE

	¥ millions				
Years ended March 31	2012	2013	2014	2015	2016
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥ 903,434	¥1,018,383	¥655,233	¥ 865,232	¥657,185
Investment income	193,178	187,629	175,794	176,370	202,909
Other ordinary income	25,101	23,585	26,244	19,544	13,792
Total ordinary revenues	1,121,714	1,229,598	857,272	1,061,146	873,887
Ordinary expenses:					
Insurance claims and other payments	714,467	654,858	585,429	566,446	604,261
Provision for policy and other reserves	152,459	319,781	52,437	281,973	39,860
Investment expenses	60,134	47,926	29,303	31,893	36,540
Operating expenses	83,538	85,578	77,693	77,606	76,424
Other ordinary expenses	50,416	52,652	40,151	35,619	37,676
Total ordinary expenses	1,061,015	1,160,797	785,015	993,539	794,763
Ordinary profit	60,698	68,801	72,257	67,606	79,124
Net extraordinary gains (losses)	(14,832)	(14,789)	(12,931)	(5,249)	(20,251)
Provision for reserve for policyholder dividends	16,261	16,995	17,688	18,093	18,135
Income before income taxes *	29,605	37,017	41,637	44,264	40,736
Income taxes:					
Current	4,508	10,342	17,045	12,827	17,624
Deferred	13,989	1,073	(1,763)	3,482	(3,722)
Total income taxes	18,498	11,416	15,282	16,309	13,902
Net income	¥ 11,106	¥ 25,601	¥ 26,355	¥ 27,954	¥ 26,834

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

	¥ millions				
As of March 31	2012	2013	2014	2015	2016
Balance Sheet Data:					
Assets:					
Total assets	¥6,173,118	¥6,645,339	¥6,760,825	¥7,217,901	¥7,084,800
Liabilities:					
Policy reserves	5,632,210	5,951,016	5,998,989	6,279,589	6,318,824
Total liabilities	5,918,894	6,260,697	6,360,611	6,658,543	6,603,082
Net assets:					
Total stockholders' equity	204,275	222,597	245,046	259,537	279,336
Total valuation and translation adjustment	49,948	162,043	155,166	299,819	202,382
Total net assets	¥ 254,223	¥ 384,641	¥ 400,213	¥ 559,357	¥ 481,718

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

	¥ millions				
Years ended March 31	2012	2013	2014	2015	2016
Policy Results: *					
Policy amount in force	¥20,234,156	¥21,023,223	¥21,595,680	¥22,154,564	¥21,983,504
New policy amount	2,911,924	2,974,307	2,696,671	2,840,754	2,134,199
Surrender and lapse amount	1,222,196	1,236,211	1,255,419	1,270,225	1,255,956
Surrender and lapse rate	6.34%	6.11%	5.97%	5.88%	5.67%

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

Other Data:

Core profit	¥ 57,578	¥ 67,218	¥ 72,611	¥ 68,188	¥ 53,812
Embedded value (EV) *	555,400	637,000	705,100	868,600	725,700
Solvency margin ratio	747.3%	823.4%	981.3%	993.9%	890.6%
Number of in-house sales representatives	8,886	8,856	8,603	8,432	8,631

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

DAIDO LIFE

Years ended March 31	2012	2013	2014	2015	¥ millions 2016
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥720,210	¥724,517	¥712,866	¥792,715	¥748,914
Investment income	117,803	142,588	160,483	169,016	165,153
Other ordinary income	96,560	16,901	19,968	19,320	21,671
Total ordinary revenues	934,574	884,006	893,318	981,052	935,739
Ordinary expenses:					
Insurance claims and other payments	703,461	569,293	522,489	494,272	502,896
Provision for policy and other reserves	206	76,097	119,712	231,264	181,357
Investment expenses	49,824	54,799	46,369	39,128	34,443
Operating expenses	102,754	99,036	99,377	99,152	102,531
Other ordinary expenses	17,460	17,158	14,058	19,770	24,203
Total ordinary expenses	873,706	816,385	802,008	883,588	845,431
Ordinary profit	60,867	67,621	91,309	97,464	90,307
Net extraordinary gains (losses)	(2,486)	(11,163)	(17,410)	(2,653)	4,413
Provision for reserve for policyholder dividends	14,184	14,202	13,951	14,462	13,788
Income before income taxes	44,196	42,255	59,948	80,348	80,932
Income taxes:					
Current	(2,267)	12,798	26,644	28,104	29,351
Deferred	27,494	570	(2,656)	1,064	(2,896)
Total income taxes	25,226	13,369	23,987	29,168	26,455
Net income	¥ 18,970	¥ 28,886	¥ 35,960	¥ 51,180	¥ 54,476

As of March 31	2012	2013	2014	2015	¥ millions 2016
Balance Sheet Data:					
Assets:					
Total assets	¥5,194,743	¥5,399,189	¥5,572,800	¥5,977,975	¥6,152,026
Liabilities:					
Policy reserves	4,712,459	4,783,783	4,896,850	5,125,125	5,301,162
Total liabilities	4,825,329	4,936,237	5,041,936	5,297,596	5,488,203
Net assets:					
Total stockholders' equity	304,218	325,329	352,559	388,865	433,499
Total valuation and translation adjustment	65,195	137,622	178,304	291,513	230,323
Total net assets	¥ 369,414	¥ 462,951	¥ 530,863	¥ 680,379	¥ 663,823

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

Years ended March 31	2012	2013	2014	2015	¥ millions 2016
Policy Results:					
Policy amount in force *	¥36,557,377	¥36,933,235	¥37,255,621	¥38,156,747	¥39,205,952
Individual term life insurance	32,900,542	32,900,930	32,882,207	33,209,130	33,673,604
<i>J-type product, T-type product and Kaigo Relief</i>	365,449	775,298	1,192,991	1,764,379	2,415,881
New policy amount *	3,666,780	3,992,546	3,698,182	4,063,816	4,315,542
Individual term life insurance	3,212,663	3,374,850	3,108,689	3,228,184	3,426,632
<i>J-type product, T-type product and Kaigo Relief</i>	281,300	436,498	472,806	657,003	786,609
Surrender and lapse amount *	2,954,514	2,738,436	2,537,348	2,378,329	2,472,006
Surrender and lapse rate	8.04%	7.49%	6.87%	6.38%	6.48%

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

Other Data:					
Core profit	¥ 82,465	¥ 84,635	¥ 110,673	¥ 107,654	¥ 104,829
Embedded value (EV) *	896,400	923,500	1,145,900	1,306,700	1,078,000
Solvency margin ratio	851.9%	1,043.2%	1,156.4%	1,363.7%	1,341.9%
Number of in-house sales representatives	3,904	3,943	3,833	3,790	3,867
Number of agents	13,382	13,459	13,432	13,675	13,793

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

T&D FINANCIAL LIFE

	¥ millions				
Years ended March 31	2012	2013	2014	2015	2016
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥ 66,693	¥196,740	¥239,777	¥297,755	¥165,436
Investment income	20,142	78,986	64,948	46,366	14,232
Other ordinary income	32,807	12,928	163,943	37,989	38,365
Total ordinary revenues	119,642	288,656	468,669	382,110	218,035
Ordinary expenses:					
Insurance claims and other payments	106,522	118,854	412,275	339,700	194,324
Provision for policy and other reserves	272	120,876	7,697	1,440	2
Investment expenses	5,176	20,522	13,138	1,814	7,950
Operating expenses	9,284	13,140	13,101	14,422	12,705
Other ordinary expenses	777	1,479	1,545	2,275	1,840
Total ordinary expenses	122,033	274,873	447,758	359,653	216,822
Ordinary profit (loss)	(2,390)	13,783	20,910	22,457	1,212
Net extraordinary gains (losses)	(718)	(1,441)	(398)	(174)	(621)
Reversal of reserve for policyholder dividends	(1)	(0)	(2)	(0)	(3)
Income (loss) before income taxes	(3,108)	12,342	20,514	22,282	593
Income taxes:					
Current	(1,033)	3,643	3,647	2,411	(1,735)
Deferred	1,587	(154)	957	5,225	1,837
Total income taxes	554	3,489	4,604	7,636	101
Net income (loss)	¥ (3,662)	¥ 8,852	¥ 15,909	¥ 14,645	¥ 492

	¥ millions				
As of March 31	2012	2013	2014	2015	2016
Balance Sheet Data:					
Assets:					
Total assets	¥1,399,123	¥1,541,553	¥1,393,592	¥1,387,624	¥1,359,879
Liabilities:					
Policy reserves	1,353,062	1,473,800	1,329,961	1,301,958	1,270,904
Total liabilities	1,371,313	1,504,475	1,340,493	1,319,425	1,289,619
Net assets:					
Total stockholders' equity	27,946	36,798	52,748	67,394	67,886
Total valuation and translation adjustment	(136)	279	349	804	2,373
Total net assets	¥ 27,809	¥ 37,077	¥ 53,098	¥ 68,198	¥ 70,260

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

	¥ millions				
Years ended March 31	2012	2013	2014	2015	2016
Policy Results: *					
Policy amount in force	¥1,988,614	¥2,040,052	¥1,848,515	¥1,806,465	¥1,808,717
Products through independent insurance agents	965,723	1,139,480	1,050,025	1,091,312	1,156,568
New policy amount	52,206	192,072	244,969	322,651	236,231
Surrender and lapse amount	92,372	96,679	174,654	103,902	61,559
Surrender and lapse rate	4.39%	4.86%	8.56%	5.62%	3.41%

* The total of individual insurance and individual annuities.

	¥ millions				
Other Data:					
Core profit (loss)	¥ 4,865	¥30,644	¥26,971	¥ 6,923	¥ (5,545)
Embedded value (EV) *	64,800	77,500	92,300	95,800	93,400
Solvency margin ratio	553.7%	648.4%	1,051.2%	1,271.9%	1,260.7%

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

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

Year ended March 31	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	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

Year ended March 31	Consolidated		Taiyo Life		Daido Life		T&D Financial Life	
	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

Years ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	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

		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	¥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

		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	¥ 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

		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	¥ 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

		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	¥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

Years ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2015	2016	2016	Increase (decrease) YoY (%)	2016	Increase (decrease) YoY (%)	2016	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

Years ended March 31	Three Companies		Taiyo Life	Increase (decrease) YoY (%)	Daido Life	T&D Financial Life		
	2015	2016	2016		2016	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

Years ended March 31	Three Companies		Taiyo Life	Increase (decrease) YoY (%)	Daido Life	T&D Financial Life		
	2015	2016	2016		2016	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

Year ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	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

Year ended March 31	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	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

Year ended March 31	¥ billions							
	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	Increase (decrease) YoY	2016	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

Years ended March 31	¥ millions							
	Consolidated ¹		Taiyo Life ²		Daido Life ²		T&D Financial Life ²	
	2015	2016	2015	2016	2015	2016	2015	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 $\{[(R_1^2+R_2^2)^{1/2}+R_3+R_4]^2+(R_5+R_6+R_7)^2\}^{1/2}+R_8+R_9$	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	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	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	2,124	2,362
Minimum guarantee risk ⁶	R ⁷	5,966	3,084	16	17	762	5,187	2,312
Investment risk	R ³	282,464	279,224	151,338	141,563	132,752	7,841	9,818
Business risk	R ⁴	8,460	8,235	4,616	4,369	3,790	482	461
Consolidated solvency margin ratio								
$\frac{\text{(Total solvency margin)}}{\text{(Total risk)}} \times 100$	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.

Note 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.

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

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

Note 5. "Minimum guarantee risk R⁷" 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 apprised of the situation of insurance companies and implement supervisory measures, they are subject to the regulations below under the Insurance Business Act.

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

Regulation	Details
Approval and notification of insurance products and premiums*	The regulations of the Insurance Business Act stipulate that in principle, insurance products and their premiums require 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 amount¹ for fiscal 2015, policies from the corporate market² 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 *Hojinka*), and the Tax Payment Associations (TPA, known as *Nozei-kyokai*). Also, in 1976 Daido Life began underwriting the "*TKC Kigyō 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)				Total	Number of employees ⁴
		Buildings	Land (m ²) ³	Lease assets ¹	Others ²		
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)	—	—	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)				Total	Number of employees ⁴
		Buildings	Land (m ²) ³	Lease assets ²	Others ¹		
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)	—	—	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)	—	—	16,199	402
	(Business use)	1,410	[118] 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)	—	—	2,722	59
	(Business use)	252	[515] 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)				Total	Number of employees ³
		Buildings	Land (m ²)	Lease assets	Others ¹		
Headquarters (Minato-ku, Tokyo)			¥ —		¥76	¥267	
3 Regional Sales Promotion Departments	(Business use)	¥191	(—)	¥0			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)		Funding method	Construction started	Planned completion date
			Total	Paid			
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	
MITSUMI & 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	
MITSUMI & 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	Fiscal 2015				Difference between acquisition cost and carrying amount
	¥ millions	¥ millions	¥ millions	¥ millions	¥ 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	
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) (WINKULIERT)	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	Fiscal 2015				Difference between acquisition cost and carrying amount
	¥ millions	¥ millions	¥ millions	¥ millions	¥ 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	
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	Fourth series unsecured bonds with early redemption clause (subordinated, limited to qualified institutional investors and split-restricted small-number private placement)	September 27, 2013	20,000	20,000	0.99	None	September 27, 2023
T&D Lease Co., Ltd.	Short-term debenture	February 24, 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.

- 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%.
- 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%.
- Figures enclosed in brackets in the "Balance as of March 31, 2016" column are amounts of short-term debentures due within one year.
- 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

Consolidated Financial Statements

Consolidated Balance Sheet

		¥ millions	US\$ thousands
As of March 31,	2016	2015	2016
Assets:			
Cash and deposits	¥ 1,024,692	¥ 334,191	\$ 9,093,831
Call loans	2,673	329,876	23,722
Monetary claims purchased	269,668	339,927	2,393,227
Monetary trusts	525,902	437,622	4,667,221
Securities (Notes 8, 13 and 14)	10,492,605	10,847,399	93,118,617
Loans (Notes 3 and 7)	1,767,891	1,863,837	15,689,487
Tangible fixed assets:			
Land (Note 2 (15))	175,322	173,662	1,555,936
Buildings	120,846	106,846	1,072,475
Lease assets	932	676	8,279
Construction in progress	15,124	17,526	134,225
Other tangible fixed assets	3,248	2,445	28,827
Total tangible fixed assets (Note 4)	315,475	301,158	2,799,745
Intangible fixed assets:			
Software	22,472	19,811	199,435
Lease assets	377	4	3,349
Other intangible fixed assets	1,177	1,252	10,451
Total intangible fixed assets	24,027	21,068	213,236
Due from agencies	746	746	6,629
Due from reinsurers	691	405	6,140
Other assets	251,286	190,196	2,230,087
Deferred tax assets	602	501	5,349
Reserve for possible loan losses	(2,057)	(2,225)	(18,258)
Total assets	¥14,674,207	¥14,664,705	\$130,229,036

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Liabilities:			
Policy reserves:			
Reserve for outstanding claims	¥ 67,914	¥ 73,102	\$ 602,715
Policy reserve	12,719,256	12,524,934	112,879,449
Reserve for policyholder dividends (Note 6)	105,311	109,920	934,610
Total policy reserves	12,892,482	12,707,957	114,416,775
Due to agencies	630	1,009	5,595
Due to reinsurers	641	554	5,689
Short-term debentures	2,999	2,999	26,623
Bonds (Note 9)	50,125	51,100	444,843
Other liabilities (Note 10)	252,087	248,940	2,237,199
Reserve for bonuses to directors and audit & supervisory board members	281	243	2,496
Net defined benefit liability	59,730	50,271	530,092
Reserve for directors' and audit & supervisory board members' retirement benefits	78	67	700
Reserve for price fluctuations	175,759	155,190	1,559,812
Deferred tax liabilities	19,894	95,824	176,554
Deferred tax liabilities on land revaluation (Note 2 (15))	5,434	5,598	48,229
Total liabilities	13,460,145	13,319,755	119,454,614
Net assets:			
Capital stock	207,111	207,111	1,838,053
Capital surplus	194,550	194,586	1,726,577
Retained earnings	422,422	366,747	3,748,869
Treasury stock	(48,876)	(19,008)	(433,767)
Total stockholders' equity	775,208	749,436	6,879,733
Net unrealized gains (losses) on securities	487,200	649,716	4,323,753
Deferred gains (losses) on hedging instruments	(8,601)	(13,741)	(76,338)
Land revaluation (Note 2 (15))	(43,288)	(43,694)	(384,169)
Foreign currency translation adjustments	21	21	189
Total accumulated other comprehensive income	435,331	592,301	3,863,435
Subscription rights to shares	926	746	8,221
Non-controlling interests	2,595	2,465	23,031
Total net assets	1,214,061	1,344,950	10,774,422
Total liabilities and net assets	¥14,674,207	¥14,664,705	\$130,229,036

See notes to consolidated financial statements.

Consolidated Statement of Operation

		¥ millions	US\$ thousands
Years ended March 31,	2016	2015	2016
Ordinary revenues:			
Income from insurance premiums	¥1,574,506	¥1,958,055	\$13,973,252
Investment income:			
Interest, dividends and income from real estate for rent	290,725	287,966	2,580,094
Gains from monetary trusts, net	5,172	—	45,900
Gains on investments in trading securities, net	—	20,056	—
Gains on sales of securities	77,403	34,433	686,930
Gains on redemption of securities	3,198	—	28,385
Foreign exchange gains, net	801	1,606	7,110
Reversal of reserve for possible loan losses	137	148	1,223
Other investment income	2,268	4,557	20,136
Gains on separate accounts, net	—	35,455	—
Total investment income	379,707	384,223	3,369,781
Other ordinary income:			
Other ordinary income	71,665	69,847	636,010
Total other ordinary income	71,665	69,847	636,010
Equity in earnings of affiliates	46	38	413
Total ordinary revenues	2,025,925	2,412,165	17,979,458
Ordinary expenses:			
Insurance claims and other payments:			
Insurance claims	376,421	355,635	3,340,627
Annuity payments	349,387	457,550	3,100,706
Insurance benefits	163,812	177,425	1,453,784
Surrender payments	341,583	351,229	3,031,448
Other payments	71,693	59,692	636,256
Total insurance claims and other payments	1,302,899	1,401,534	11,562,824
Provision for policy and other reserves:			
Provision for reserve for outstanding claims	—	2,423	—
Provision for policy reserve	194,321	482,607	1,724,545
Interest portion of reserve for policyholder dividends	65	108	582
Total provision for policy and other reserves	194,387	485,139	1,725,128
Investment expenses:			
Interest expenses	909	1,841	8,069
Losses from monetary trusts, net	—	1,744	—
Losses on investments in trading securities, net	7,823	—	69,427
Losses on sales of securities	16,357	6,972	145,165
Devaluation losses on securities	4,101	1,065	36,402
Losses from derivatives, net	22,180	33,948	196,842
Write-off of loans	4	6	43
Depreciation of real estate for rent	4,991	5,176	44,297
Other investment expenses	15,533	15,672	137,858
Losses on separate accounts, net	5,575	—	49,481
Total investment expenses	77,477	66,427	687,588
Operating expenses	198,999	199,435	1,766,060
Other ordinary expenses	80,727	70,686	716,429
Total ordinary expenses	1,854,490	2,223,222	16,458,030
Ordinary profit	¥ 171,434	¥ 188,943	\$ 1,521,427

(continued)

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Extraordinary gains:			
Gains on disposal of fixed assets	¥ 4	¥ 67	\$ 43
State subsidy	158	55	1,410
Compensation for transfer	—	102	—
Total extraordinary gains	163	225	1,453
Extraordinary losses:			
Losses on disposal of fixed assets	1,356	1,028	12,034
Impairment losses (Note 15)	4,203	1,995	37,307
Provision for reserve for price fluctuations	20,568	5,150	182,540
Head office transfer cost	2,591	99	22,997
Other extraordinary losses	718	56	6,377
Total extraordinary losses	29,438	8,331	261,257
Provision for reserve for policyholder dividends	31,920	32,555	283,281
Income before income taxes	110,239	148,281	978,342
Income taxes:			
Current	46,075	44,147	408,902
Deferred	(8,561)	9,755	(75,984)
Total income taxes	37,513	53,903	332,918
Profit	72,726	94,378	645,423
Profit attributable to non-controlling interests	179	163	1,590
Profit attributable to owners of parent	¥ 72,547	¥ 94,215	\$ 643,833

Consolidated Statement of Comprehensive Income

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Profit	¥ 72,726	¥ 94,378	\$ 645,423
Other comprehensive income:			
Net unrealized gains (losses) on securities	(162,509)	261,950	(1,442,224)
Deferred gains (losses) on hedging instruments	5,139	(5,478)	45,615
Land revaluation	155	369	1,377
Foreign currency translation adjustments	0	0	0
Share of other comprehensive income of associates accounted for using the equity method	(4)	9	(41)
Total other comprehensive income (Note 16)	(157,219)	256,851	(1,395,272)
Comprehensive income	¥ (84,492)	¥ 351,230	\$ (749,848)
(Breakdown)			
Comprehensive income attributable to owners of parent	(84,673)	351,065	(751,451)
Comprehensive income attributable to non-controlling interests	180	165	1,602

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

¥ millions

Year ended March 31, 2016	Stockholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	¥207,111	¥194,586	¥366,747	¥(19,008)	¥749,436	¥ 649,716	¥(13,741)	¥(43,694)	¥21	¥ 592,301	¥746	¥2,465	¥1,344,950
Changes in the period:													
Dividends			(16,621)		(16,621)								(16,621)
Profit attributable to owners of parent			72,547		72,547								72,547
Acquisition of treasury stock				(30,015)	(30,015)								(30,015)
Disposal of treasury stock		(35)		147	111								111
Reversal of land revaluation			(250)		(250)								(250)
Net changes of items other than stockholders' equity						(162,515)	5,139	405	0	(156,970)	180	129	(156,660)
Total changes in the period		(35)	55,675	(29,868)	25,771	(162,515)	5,139	405	0	(156,970)	180	129	(130,888)
Balance at the end of the year	¥207,111	¥194,550	¥422,422	¥(48,876)	¥775,208	¥ 487,200	¥ (8,601)	¥(43,288)	¥21	¥ 435,331	¥926	¥2,595	¥1,214,061

US\$ thousands

Year ended March 31, 2016	Stockholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	\$1,838,053	\$1,726,891	\$3,254,767	\$(168,697)	\$6,651,015	\$ 5,766,032	\$(121,954)	\$(387,771)	\$189	\$ 5,256,496	\$6,620	\$21,882	\$11,936,014
Changes in the period:													
Dividends			(147,507)		(147,507)								(147,507)
Profit attributable to owners of parent			643,833		643,833								643,833
Acquisition of treasury stock				(266,375)	(266,375)								(266,375)
Disposal of treasury stock		(313)		1,305	992								992
Reversal of land revaluation			(2,224)		(2,224)								(2,224)
Net changes of items other than stockholders' equity						(1,442,279)	45,615	3,602	0	(1,393,060)	1,600	1,149	(1,390,310)
Total changes in the period		(313)	494,101	(265,069)	228,718	(1,442,279)	45,615	3,602	0	(1,393,060)	1,600	1,149	(1,161,591)
Balance at the end of the year	\$1,838,053	\$1,726,577	\$3,748,869	\$(433,767)	\$6,879,733	\$ 4,323,753	\$ (76,338)	\$(384,169)	\$189	\$ 3,863,435	\$8,221	\$23,031	\$10,774,422

¥ millions

Year ended March 31, 2015	Stockholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains (losses) on securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	¥207,111	¥194,595	¥290,861	¥ (9,049)	¥683,519	¥387,773	¥ (8,263)	¥(45,586)	¥ 6	¥333,929	¥523	¥2,352	¥1,020,324
Changes in the period:													
Dividends			(16,806)		(16,806)								(16,806)
Profit attributable to owners of parent			94,215		94,215								94,215
Acquisition of treasury stock				(10,010)	(10,010)								(10,010)
Disposal of treasury stock		(9)		51	41								41
Reversal of land revaluation			(1,523)		(1,523)								(1,523)
Net changes of items other than stockholders' equity						261,943	(5,478)	1,892	15	258,372	222	113	258,708
Total changes in the period		(9)	75,885	(9,959)	65,917	261,943	(5,478)	1,892	15	258,372	222	113	324,625
Balance at the end of the year	¥207,111	¥194,586	¥366,747	¥(19,008)	¥749,436	¥649,716	¥(13,741)	¥(43,694)	¥21	¥592,301	¥746	¥2,465	¥1,344,950

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

		¥ millions	US\$ thousands
Years ended March 31,	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes	¥ 110,239	¥ 148,281	\$ 978,342
Depreciation of real estate for rent	4,991	5,176	44,297
Other depreciation and amortization	10,254	10,305	91,008
Impairment losses	4,203	1,995	37,307
Increase (decrease) in reserve for outstanding claims	(5,188)	2,423	(46,044)
Increase (decrease) in policy reserve	194,321	482,607	1,724,545
Interest portion of reserve for policyholder dividends	65	108	582
Provision for reserve for (reversal of) policyholder dividends	31,920	32,555	283,281
Increase (decrease) in reserve for possible loan losses	(166)	(155)	(1,480)
Increase (decrease) in reserve for bonuses to directors and audit & supervisory board members	38	(18)	339
Increase (decrease) in net defined benefit liability	9,459	(1,385)	83,951
Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits	11	1	103
Increase (decrease) in reserve for price fluctuations	20,568	5,150	182,540
Interest, dividends and income from real estate for rent	(290,725)	(287,966)	(2,580,094)
Losses (gains) on investment securities	(46,744)	(81,906)	(414,839)
Interest expenses	909	1,841	8,069
Exchange losses (gains)	(1,257)	(1,541)	(11,157)
Losses (gains) on disposal of tangible fixed assets	1,294	921	11,488
Equity in losses (income) of affiliated companies	(46)	(38)	(413)
Decrease (increase) in amount due from agencies	(0)	257	(6)
Decrease (increase) in amount due from reinsurers	(286)	46	(2,539)
Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)	(11,767)	(5,376)	(104,433)
Increase (decrease) in amount due to agencies	(379)	175	(3,366)
Increase (decrease) in amount due to reinsurers	87	101	772
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	(3,422)	(2,866)	(30,371)
Others, net	31,805	47,468	282,262
Subtotal	60,187	358,164	534,146
Interest, dividends and income from real estate for rent received	300,736	302,216	2,668,943
Interest paid	(923)	(2,089)	(8,191)
Policyholder dividends	(36,625)	(36,530)	(325,043)
Others, net	18,612	48,908	165,177
Income taxes paid	(32,545)	(53,908)	(288,835)
Net cash provided by (used in) operating activities	¥ 309,441	¥ 616,760	\$ 2,746,197

(continued)

	¥ millions		US\$ thousands
Years ended March 31,	2016	2015	2016
Cash flows from investing activities:			
Net decrease (increase) in short-term investments	¥ 1,200	¥ 50	\$ 10,649
Investments in monetary claims purchased	(2,000)	(4,000)	(17,749)
Proceeds from sale and redemption of monetary claims purchased	31,285	36,869	277,651
Investments in monetary trusts	(82,737)	(227,080)	(734,265)
Proceeds from monetary trusts	200	1,533	1,774
Purchase of securities	(2,098,003)	(1,626,796)	(18,619,133)
Sale and redemption of securities	1,981,004	1,622,894	17,580,796
Investments in loans	(360,390)	(445,797)	(3,198,356)
Collection of loans	458,059	462,395	4,065,139
Others, net	79,743	(259,317)	707,701
Subtotal	8,361	(439,248)	74,208
Total of net cash provided by (used in) operating activities and investment transactions as above	317,803	177,512	2,820,406
Purchase of tangible fixed assets	(26,648)	(27,898)	(236,494)
Proceeds from disposal of tangible fixed assets	64	273	576
Others, net	(342)	(182)	(3,038)
Net cash provided by (used in) investing activities	(18,563)	(467,056)	(164,747)
Cash flows from financing activities:			
Net increase (decrease) in short-term debenture	0	0	5
Proceeds from issuance of debt	13,600	13,500	120,695
Repayments of debt	(29,746)	(48,343)	(263,986)
Proceeds from issuance of bonds	30,150	—	267,571
Redemption of bonds	(31,100)	(14,000)	(276,002)
Payment of lease obligations	(397)	(606)	(3,527)
Purchase of treasury stock	(30,015)	(10,010)	(266,375)
Sale of treasury stock	0	0	4
Dividends paid	(16,650)	(16,766)	(147,764)
Dividends paid to non-controlling interests	(51)	(52)	(453)
Others, net	0	0	1
Net cash provided by (used in) financing activities	(64,208)	(76,278)	(569,831)
Effect of exchange rate changes on cash and cash equivalents	(1,271)	(1,012)	(11,287)
Net increase (decrease) in cash and cash equivalents	225,397	72,413	2,000,331
Cash and cash equivalents at the beginning of the year	899,524	827,111	7,983,002
Cash and cash equivalents at the end of the year (Note 18)	¥ 1,124,922	¥ 899,524	\$ 9,983,334

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 ▶ Notes on Going-Concern Assumption

Not applicable.

Note 2 ▶ Summary of Significant Accounting Policies

(1) Basis of presentation

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

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

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

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the readers and have been made, as a matter of arithmetical computation only, at the rate of ¥112.68 = U.S.\$1, which was the approximate rate prevailing at March 31, 2016. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

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

(2) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. All material intercompany balances and transactions are eliminated. The number of consolidated subsidiaries for the year ended March 31, 2016 was 15.

Investments in affiliates are accounted for under the equity method. The number of affiliated companies accounted for under the equity method for the year ended March 31, 2016 was two.

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

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

(3) Foreign currency translation

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

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

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

Investments in securities other than those of subsidiaries and affiliates are classified as trading, held-to-maturity, available-for-sale securities or policy reserve-matching bonds. Available-for-sale securities with readily obtainable fair value ("marketable available-for-sale securities") and trading securities are stated at fair value. Unrealized gains and losses on trading securities are reported in the consolidated statement of operation. Unrealized gains and losses on marketable available-for-sale securities are reported in a separate component of net assets, net of income taxes, unless the decline of the fair value of any particular available-for-sale securities is considered to be a permanent impairment, in which case such declines are recorded as devaluation (impairment) losses and recorded on the statement of operation. Held-to-maturity and available-for-sale securities without readily

obtainable fair value are stated at amortized cost. Policy reserve-matching bonds are not stated at fair market value but are stated at amortized cost. For the purpose of computing realized gains and losses, the cost is determined using the moving-average method.

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

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

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

For Daido Life, of the bonds corresponding to the subcategory established in respect of the classes of insurance policies as follows, those held with the purpose to control durations of liabilities are classified as policy reserve-matching bonds, in accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy Reserve-Matching Bonds within the Insurance Industry” (JICPA, the Industry Audit Committee Report No. 21): individual insurance and individual annuities with respect to general assets, and individual insurance and individual annuities in the non-participating insurance assets (capturing the cash flows likely to arise in the period after 5 years but within 30 years from now).

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

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

(5) Treatment method of deferred assets

The full amount of bond issuance cost is treated as cost at the time of disbursement.

(6) Reserve for possible loan losses

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

For collateralized or guaranteed loans to borrowers subject to bankruptcy and similar proceedings, the amounts of loans exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been directly deducted from the amount of loans and the amount was ¥395 million (\$3,506 thousand) and ¥403 million for the years ended March 31, 2016 and 2015, respectively.

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

(7) Reserve for price fluctuations

Pursuant to requirements under Article 115 of the Insurance Business

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

(8) Policy reserve

Pursuant to requirements under Article 116 of the Insurance Business Act, the Three Life Insurance Companies maintain a policy reserve for the fulfillment of future obligations under life insurance contracts. The reserve of the accompanying consolidated financial statements is established pursuant to the net level premium method. The reserves for policies subject to the standard policy reserve rules are calculated using interest and mortality rates set by the Financial Services Agency.

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

[Additional information]

Since fiscal year 2013, in accordance with Article 69 Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, Daido Life has provided an additional policy reserve for certain types of individual annuity insurance policies for which annuity payments have already commenced. Daido Life will provide this additional policy reserve in a phased manner over 3 years.

The amount of the policy reserve provided for the years ended March 31, 2016 and 2015 was ¥15,941 million (\$141,479 thousand) and ¥12,993 million, respectively.

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

To provide for payment of the bonus to directors and audit & supervisory board members, a reserve for the directors' and audit & supervisory board members' bonus is recorded based on the expected amount to be paid in the year ended March 31, 2016.

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

To provide for the directors' and audit & supervisory board members' retirement benefits, the Company sets up a reserve for directors' and audit & supervisory board members' retirement benefits based on the internal rules of certain consolidated subsidiaries which is recorded in the amount recognized to have accrued as of March 31, 2016.

(11) Accounting method for employees' retirement benefits

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

(12) Income taxes

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

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

(13) Tangible fixed assets

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

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

(14) Intangible fixed assets

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

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

(15) Land revaluation

Taiyo Life revalued its land for operating purposes as of March 31, 2002, as permitted by the Land Revaluation Act, which became effective in 1998. In accordance with provisions under this act and related

ordinances, the revaluation is a one-time event and subsequent valuation gains or losses after the initial revaluation are not reflected in the consolidated financial statements but are disclosed if additional valuation losses arise subsequent to the initial revaluation. Net revaluation gains or losses are not recorded on the statement of operation but as a separate component of net assets, net of income taxes. In the event that the Company sells a part of such revalued land, related revaluation gains or losses are transferred to retained earnings.

(16) Derivative financial instruments

Changes in the fair value of derivative instruments designated as fair value hedges are recognized in the consolidated statement of operation, whereas those designated as deferral hedges are reported in the net assets section of the consolidated balance sheet. However, if derivative instruments qualify for the special treatment, the Company applies that treatment in which changes in the fair value of derivative instruments are not recognized.

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

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

Taiyo Life's hedging policy is based on the internal rules and regulations developed under Taiyo Life's risk management policy concerning asset operations, and the cash flow and price fluctuation risks concerning hedged items are hedged within a certain scope. Taiyo Life

measures effectiveness of hedging activities for each half-year period by performing a ratio analysis and other methods comparing the market movements or accumulated cash flow movements of the hedged items and the market movements or accumulated cash flow movements of the hedging instruments. However, evaluation of hedging effectiveness is omitted for interest rate swap agreements under the special treatment, etc., exchange contracts in which both the hedged items and the hedging instruments are denominated in the same currency, options hedging domestic and foreign stocks as well as domestic and foreign-listed investment trusts and options hedging credit transactions, forward contracts and domestic bonds.

Daido Life applies fair value hedge accounting. Daido Life also applies the allocation treatment for foreign exchange contract transactions hedging foreign currency deposits in cases where the requirements for the allocation treatment are met. The hedging instrument and hedged item for Daido Life are as follows:

- | | |
|---------------------|-------------------------------------------------------------------------------|
| Hedging instrument: | Foreign exchange contract |
| Hedged item: | Foreign currency-denominated available-for-sale securities and fixed deposits |

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

(17) Accounting for consumption taxes

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

(18) Cash and cash equivalents

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

(19) Changes in accounting standards, etc.

From the beginning of the subject fiscal year, T&D Holdings, Inc. (the "Company") has applied accounting standards such as "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereafter "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereafter "Consolidation Accounting Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereafter "Business Divestitures Accounting Standard"), recording as capital surplus the variance on changes in equity interests in subsidiaries where the Company retains control, and changing the method for recording acquisition-related expenses as expenses for the consolidated fiscal year.

In addition, for business combinations conducted from the beginning of the subject fiscal year, the Company has changed to a method to reflect the revisions to the allocated amount of acquisition cost determined by provisional accounting treatment in the consolidated financial statements for the fiscal year of the date of the business combination. In addition, the Company has made changes to the presentation of account titles such as net income, and changed the presentation of minority interests to non-controlling interests. The consolidated financial statements for the previous fiscal year have been reclassified to reflect the subject changes in presentation.

For the application of the Business Combinations Accounting Standard and other standards, the Company follows the transitional treatment prescribed by Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, applying such from the beginning of the subject fiscal year and going forward.

Regarding the Consolidated Statement of Cash Flows for the fiscal year, the method has been changed so that cash flow related to the acquisition and/or sales of shares in subsidiaries not accompanied by a change in the scope of consolidation will be presented in the "Cash

flows from financing activities" segment, and cash flows pertaining to expenses related to the acquisition of shares in subsidiaries accompanied by a change in the scope of consolidation, or the expenses incurred in relation to the acquisition and/or sales of shares in subsidiaries not accompanied by a change in the scope of consolidation, will be presented in the "Cash flow from operating activities" segment.

There is no effect on the consolidated financial statements as a result of these changes.

(20) Unadopted accounting standards, etc.

– "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016)

a. Summary

With regards to the recoverability of deferred tax assets, certain changes have been made to the following treatments, where the framework of categorizing the entities in five categories and estimating the recording amount of the deferred tax assets according to the relevant category is basically continued to be applied, which is the framework of Auditing Guidance No. 66, Auditing Treatment for Judgment of Recoverability of Deferred Assets, issued by the JICPA.

- (i) Treatment of entities which do not meet any of the category criteria pertaining to Category 1 to Category 5.
- (ii) Category criteria pertaining to Category 2 and Category 3.
- (iii) Treatment for unscheduled deductible temporary differences of entities which correspond to Category 2.
- (iv) Treatment for rational estimable period of taxable income before addition and subtraction of unscheduled deductible temporary differences, etc., of entities which correspond to Category 3.
- (v) Treatment of entities which meet the category criteria of Category 4 which also correspond to Category 2 or Category 3.

b. Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year starting April 1, 2016.

c. Effect of the application of the accounting standards

The amount of the impact is under evaluation at the time of preparing the consolidated financial statements for the consolidated fiscal year ended March 31, 2016.

Note 3 Loans

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

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Loans to bankrupt companies	¥ 256	¥ 268	\$ 2,273
Past due loans	744	825	6,609
Loans overdue for three months or more	2,835	3,222	25,165
Restructured loans	30	32	271
Total	¥3,867	¥4,347	\$34,320

Loans to bankrupt companies are loans to borrowers that are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings on which the Company and its consolidated subsidiaries have stopped accruing interest after determining that collection or repayment of principal or interest is unlikely due to significant delay in payment of principal or interest or for some other reason.

Past due loans are loans, other than those categorized as loans to bankrupt companies and loans for which due dates for interest payments have been rescheduled for purposes of restructuring or supporting the borrower, on which the Company and its consolidated subsidiaries have stopped accruing interest based on self-assessment.

Loans overdue for three months or more are loans other than those categorized as loans to bankrupt companies or past due loans for which principal and/or interest are overdue for three months or more.

Restructured loans are loans other than those categorized as loans to bankrupt companies, past due loans or loans overdue for three months or more for which agreements have been made between the relevant parties to provide a concessionary interest rate, rescheduling of due dates for interest and/or principal payments, waiver of claims and/or other terms in favor of the borrower for purposes of restructuring or supporting the borrower.

With respect to loans to bankrupt companies and past due loans that are covered by collateral and guarantees, the Company and its consolidated subsidiaries write off the portion of such loans that is not collectible from collateral and guarantees, and charge such amounts to the reserve for possible loan losses.

The amounts of write-offs relating to bankrupt companies and past due loans are as follows:

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Loans to bankrupt companies	¥ 74	¥ 72	\$ 663
Past due loans	119	132	1,059

Note 4 Accumulated Depreciation of Tangible Fixed Assets

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2015	2016
Accumulated depreciation of tangible fixed assets	¥228,781	¥225,078	\$2,030,367

Note 5 Separate Account Assets

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2015	2016
Separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act	¥130,793	¥250,334	\$1,160,751

Note 6 Reserve for Policyholder Dividends

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

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Balance at the beginning of the year	¥109,920	¥113,781	\$ 975,507
Policyholder dividends	(36,625)	(36,530)	(325,043)
Increase in interest	65	108	582
Increase due to other reasons	31	5	281
Provision for reserve for policyholder dividends	31,920	32,555	283,281
Balance at the end of the year	¥105,311	¥109,920	\$ 934,610

Note 7 Unused Loan Balance under Loan Commitments

The unused loan balance under loan commitments is as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Total amount of loan commitments	¥6,500	¥6,800	\$57,685
Balance of loans outstanding	1,874	2,237	16,636
Balance	¥4,625	¥4,562	\$41,049

Note 8 Lending Securities for Loan Agreement

The lending securities for loan agreements are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Lending securities for loan agreement	¥95,073	¥—	\$843,749

Note 9 Bonds

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

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Subordinated bonds	¥20,000	¥51,100	\$177,493

Note 10 Other Liabilities

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

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Subordinated borrowings	¥30,000	¥47,500	\$266,240

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

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

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Contributions to the Policyholder Protection Corporation	¥24,922	¥24,611	\$221,180

Note 12 Organizational Change Surplus

The amounts of the organizational change surplus, which is the portion of net assets attributable to contributions by past policyholders as of the date of the demutualization of Taiyo Life and Daido Life and whose distribution is restricted by Article 91 of the Insurance Business Act, are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Taiyo Life Insurance Company	¥63,158	¥63,158	\$560,511
Daido Life Insurance Company	10,836	10,836	96,169

Note 13 Stocks of Affiliated Companies

Stocks of affiliated companies included in securities are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Stocks of affiliated companies	¥317	¥306	\$2,818

Note 14 Assets Pledged as Collateral

The amounts of the Three Life Insurance Companies' investments in securities which are mainly pledged as collateral for the overdraft limit of the exclusive account of real-time gross settlement of government bonds with the Bank of Japan, bond lending transactions secured by securities, and as a substitution of collateral for margin for futures contracts are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Japanese government bonds	¥121,630	¥153,050	\$1,079,428
Foreign securities	95,073	—	843,749
Balance	¥216,703	¥153,050	\$1,923,178

Note 15 Impairment Losses on Fixed Assets

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

(1) Categorization of assets

The Three Life Insurance Companies categorize real estate owned for insurance operations as a single asset group. Other assets such as rental property and unused real estate are categorized separately. Each of the other consolidated subsidiaries categorizes real estate held for its own operations as a single category.

(3) Impairment losses by asset group

Year ended March 31, 2016		¥ millions			US\$ thousands
Asset	Location, etc.	Land	Buildings	Total	Total
Rental properties	11 assets (Matsumoto City, Nagano Prefecture, etc.)	¥2,701	¥1,502	¥4,203	\$37,307

Year ended March 31, 2015		¥ millions		
Asset	Location, etc.	Land	Buildings	Total
Rental properties	11 assets (Osaka City, Osaka Prefecture, etc.)	¥1,327	¥668	¥1,995

(4) Method of calculating recoverable amount

The recoverable amount is based on the value in use or net realizable value for rental properties. The value in use for real estate owned for rental properties is calculated by discounting future cash flows by

(2) Background of impairment losses

Impairment losses were recognized for the difference between the book value and the recoverable amount and reported in extraordinary losses as impairment losses due to the decreases in fair market value and rental income for some rental properties.

5.50%–5.85%. In principle, the net realizable value is calculated by subtracting the estimated costs of disposal from appraisal value calculated in accordance with the real estate appraisal standard.

Note 16 Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effect regarding other comprehensive income are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Net unrealized gains on securities:			
Net unrealized gains during the year	¥(176,994)	¥380,677	\$(1,570,771)
Reclassification adjustments	(55,206)	(27,996)	(489,939)
Amount before tax effect	(232,200)	352,680	(2,060,711)
Tax effect	69,691	(90,730)	618,486
Net unrealized gains on securities	(162,509)	261,950	(1,442,224)
Deferred gains (losses) on hedging instruments:			
Deferred gains (losses) during the year	1,233	(8,284)	10,947
Reclassification adjustments	6,119	908	54,310
Amount before tax effect	7,353	(7,375)	65,258
Tax effect	(2,213)	1,897	(19,642)
Deferred gains (losses) on hedging instruments	5,139	(5,478)	45,615
Land revaluation:			
Tax effect	155	369	1,377
Land revaluation	155	369	1,377
Foreign currency translation adjustments:			
Translation adjustments during the year	0	0	0
Share of other comprehensive income of associates accounted for using the equity method:			
Share of other comprehensive income during the year	(4)	9	(41)
Total other comprehensive income	¥(157,219)	¥256,851	\$(1,395,272)

Note 17 Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2016

(1) Type and number of shares issued and treasury shares

Year ended March 31, 2016	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Shares issued:				
Common stock	681,480,000	—	—	681,480,000
Treasury stock:				
Common stock	16,632,735	16,210,557	120,270	32,723,022

Note 1. Treasury stock increased due to the following reasons: 16,201,400 shares by the acquisition of treasury stock based on the resolution made at the board of directors meeting held on May 20, 2015, and 9,157 shares by purchasing odd-lot shares.

2. Treasury stock decreased due to the following reasons: 120,000 shares by exercising stock options and, 270 shares by accepting requests for the purchase of odd-lot shares.

(2) Information of subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year	
		¥ millions	US\$ thousands
The Company	Share subscription rights as stock options	¥926	\$8,221

(3) Information of shareholder dividends

The amount of shareholder dividends.

Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands	¥	US\$		
Ordinary Shareholders' Meeting held on June 25, 2015	Common stock	¥16,621	\$147,507	¥25.00	\$0.22	March 31, 2015	June 26, 2015

The amount of shareholder dividends that is affected in the year ending March 31, 2017 while its record date is in the year ended March 31, 2016.

Date of resolution	Type of shares	Amount of shareholder dividends		Underlying assets	Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands		¥	US\$		
Ordinary Shareholders' Meeting held on June 28, 2016	Common stock	¥19,462	\$172,725	Retained earnings	¥30.00	\$0.26	March 31, 2016	June 29, 2016

For the year ended March 31, 2015

(1) Type and number of shares issued and treasury shares

Year ended March 31, 2015	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Shares issued:				
Common stock	681,480,000	—	—	681,480,000
Treasury stock:				
Common stock	9,212,294	7,469,421	48,980	16,632,735

Note 1. Treasury stock increased due to the following reasons: 7,461,900 shares by the acquisition of treasury stock based on the resolution made at the board of directors meeting held on May 15, 2014, and 7,521 shares by purchasing odd-lot shares.

2. Treasury stock decreased due to the following reasons: 48,800 shares by exercising stock options and 180 shares by accepting requests for the purchase of odd-lot shares.

(2) Information of subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions
The Company	Share subscription rights as stock options	¥746

(3) Information of shareholder dividends

The amount of shareholder dividends.

Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
		¥ millions		¥			
Ordinary Shareholders' Meeting held on June 26, 2014	Common stock	¥16,806		¥25.00		March 31, 2014	June 27, 2014

The amount of shareholder dividends that is affected in the year ending March 31, 2016 while its record date is in the year ended March 31, 2015.

Date of resolution	Type of shares	Amount of shareholder dividends		Underlying assets	Shareholder dividends per share		Record date	Effective date
		¥ millions			¥			
Ordinary shareholders' Meeting held on June 25, 2015	Common stock	¥16,621	Retained earnings	¥25.00		March 31, 2015	June 26, 2015	

Note 18 Consolidated Statement of Cash Flows

The following table provides a reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and cash deposits as stated in the consolidated balance sheet:

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Cash and deposits	¥ 1,024,692	¥ 334,191	\$ 9,093,831
Less: deposits with an original maturity of more than three months	(4,260)	(5,460)	(37,806)
Call loans	2,673	329,876	23,722
Monetary claims purchased	269,668	339,927	2,393,227
Less: monetary claims purchased other than cash and cash equivalents	(167,852)	(196,385)	(1,489,640)
Securities	10,492,605	10,847,399	93,118,617
Less: securities other than cash and cash equivalents	(10,492,605)	(10,750,024)	(93,118,617)
Cash and cash equivalents	¥ 1,124,922	¥ 899,524	\$ 9,983,334

Note 19 Lease Transactions

(1) As lessee

a. Finance leases (nonownership-transfer finance leases)

- (i) Tangible fixed assets: office appliances such as computer servers
- (ii) Intangible fixed assets: software

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

b. Operating leases

Future minimum lease payments under noncancellable operating leases are as follows:

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Due within one year	¥ 9	¥ 7	\$ 87
Due after one year	13	14	119
Total	¥23	¥21	\$206

(2) As lessor

a. Lease investment assets

- (i) Other assets

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Other:			
Lease income receivables	¥32,151	¥32,812	\$285,332
Estimated residual value	362	303	3,214
Interest income	(2,693)	(2,831)	(23,902)
Total lease investment assets	¥29,820	¥30,283	\$264,644

b. Projected collection amounts of lease income receivables related to lease receivables and lease investment assets after the consolidated closing dates are summarized as follows:

As of March 31, 2016	¥ millions		US\$ thousands	
	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,632	¥8,475	\$14,489	\$75,213
Due after one year through two years	1,434	7,078	12,729	62,818
Due after two years through three years	1,185	5,644	10,518	50,090
Due after three years through four years	951	4,112	8,442	36,497
Due after four years through five years	655	2,721	5,816	24,151
Due after five years	1,087	4,119	9,650	36,561

As of March 31, 2015	¥ millions	
	Lease receivables	Lease investment assets
Due within one year	¥1,525	¥8,716
Due after one year through two years	1,313	7,218
Due after two years through three years	1,121	5,793
Due after three years through four years	886	4,352
Due after four years through five years	662	2,854
Due after five years	1,024	3,876

Note 20 Related Party Transactions

There are no applicable transactions with related parties or notes on the parent company and affiliated companies for the years ended March 31, 2016 and 2015.

Note 21 Income Taxes

The Company and its domestic consolidated subsidiaries are subject to corporate (national) and inhabitants (local) taxes based on income. A reconciliation between the statutory tax rate and the effective tax rate is as follows:

Years ended March 31,	2016	2015
(Adjustments)		
Statutory tax rate	28.8%	30.7%
Valuation allowance	0.4	(1.2)
Permanent difference items including entertainment expense, etc.	0.6	0.4
Adjustment of deferred tax assets due to the changes in statutory tax rate	3.7	6.7
Others, net	0.5	(0.2)
Effective tax rate	34.0%	36.4%

Adjustment of deferred tax assets and liabilities due to the changes in the statutory tax rate:

Following the enactment of the Act on Partial Revision of the Income Tax Act, etc., and the Act on Partial Revision of the Local Tax Act, etc., at the national diet on March 29, 2016, the statutory tax rates used for the calculation of deferred tax assets and liabilities for the fiscal year ended March 31, 2016 (but limited to the assets and liabilities which will be realized on and after April 1, 2016), have been changed from 28.8% to 28.2% for which the estimated collection/payment period is

from April 1, 2016 to March 31, 2018, and 28.0% for which the estimated collection/payment period is from April 1, 2018, respectively.

As a result, deferred income taxes increased by ¥4,177 million (\$37,073 thousand), profit attributable to owners of parent decreased by ¥4,176 million (\$37,068 thousand). Further, deferred tax liabilities decreased by ¥1,273 million (\$11,304 thousand) and unrealized gains on available-for-sale securities increased by ¥5,314 million (\$47,168 thousand).

Significant components of deferred tax assets and liabilities of the Company and consolidated subsidiaries are summarized as follows:

As of March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Deferred tax assets:			
Policy reserves	¥ 66,193	¥ 65,641	\$ 587,444
Reserve for price fluctuations	49,148	44,672	436,179
Net defined benefit liability	31,733	30,077	281,624
Devaluation losses on securities	14,219	14,138	126,192
Deferred losses on disposal of fixed assets	5,368	4,112	47,643
Reserve for bonus payments	2,118	2,211	18,804
Tax loss carryforward	1,537	1,234	13,641
Reserve for possible loan losses	584	621	5,183
Others	15,731	17,955	139,614
Subtotal	186,636	180,665	1,656,338
Valuation allowance	(21,147)	(21,652)	(187,674)
Total deferred tax assets	165,488	159,012	1,468,663
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(180,632)	(250,322)	(1,603,053)
Accrued dividend income	(2,018)	(1,786)	(17,911)
Deferred gain on reduction of book value of real estate	(642)	(667)	(5,698)
Others	(1,487)	(1,558)	(13,205)
Total deferred tax liabilities	(184,780)	(254,335)	(1,639,868)
Net deferred tax assets (liabilities)	¥ (19,291)	¥ (95,322)	\$ (171,205)

Note 22 Financial Instruments

Being primarily focused on life insurance business, the T&D Life Group underwrites various classes of life insurance, and invests the money collected as insurance premiums in financial assets including securities and loans. In order to efficiently invest the insurance premiums trusted to us by the policyholders, the Group's asset management policy aims to build a portfolio which ensures long-term stable returns considering the characteristics of long-term obligations involved in life insurance policies, based on the concept of ERM which integrally manages profit, risk, and capital, and at the same time, paying adequate attention to the soundness and public welfare of the investments. Derivative financial instruments are used to hedge fluctuation risks involved in our investment in financial instruments, as well as partially complement physical assets. Furthermore, in order to pursue greater financial soundness, the Group has been financing the subordinated-class capital (bonds and borrowings).

Financial assets held by the Group mainly comprise securities and loans. Securities include public and corporate bonds, stocks and investment trusts offered at home and abroad that are held on a long-term basis for the purpose of investment geared to market prospects to ensure stable returns. These financial instruments are exposed to credit risks of the issuing entities and market risks associated with fluctuations in interest rate, exchange rates and stock prices, as well as market liquidity risks. Loans here include policy loans for policyholders and commercial loans (non-policy loans) provided mainly to domestic businesses and individuals. Commercial loans, though intended to ensure stable returns, are exposed to credit risks of borrowers' default. A policy loan is provided within the surrender value of each insurance policy, thus its credit risk is minimal. Derivative transactions including stock index futures contracts, forward exchange contracts and interest rate swap agreements are used primarily to hedge price fluctuation risks of our financial assets, and partially to complement physical assets by, for example, providing a solution to the time constraint prior to the inclusion of physical assets into our portfolio. Accordingly, the Group does not enter into those transactions for speculative purposes. Stringent risk management is in place for derivative transactions, by clearly defining tolerable allowances in terms of nature, underlying assets and trading limits of the transactions as well as by properly controlling their status. Hedge accounting is appropriately practiced in interest rate swap agreements for loans and forward exchange contracts for foreign currency-denominated assets, under the internal rules clearly defining qualifications, applicable types of transactions, methods of evaluation of its effectiveness and methods of its designation. Effectiveness of hedging is determined by ratio analysis methodology comparing the movements of fair market values of the hedged items and hedging instruments.

The Group, in consideration of the social and public nature of the life insurance business which is its core business, defines precise identification and management of risks as one of the crucial management tasks for ensuring the soundness and adequacy of management, where the Company, as the Group's holding company, has developed a "Group Risk Management Policy" which sets out the basic risk management philosophy within the Group and provides the risk management structure according to business characteristics and risk profiles at each of the Three Life Insurance Companies. Under such a context, the Group Risk Management Committee is in place for the purpose of coordinated management of risks within the Group, and has a clear understanding of the status of various risks at each of the Three Life Insurance Companies, through reports prepared on a regular or as-needed basis at each company using the unified risk management criteria. Meanwhile, the Company, by providing guidance and advice as appropriate to the Three Life Insurance Companies, is tackling the enhancement of risk management at each company as well as across the Group. At each of the Three Life Insurance Companies, a committee has been established to supervise company-wide risk management at an enhanced level, while a mutual check-and-balance system is in place under the internal organizational arrangement including the separation of the investment and loan execution function from the administration function within the investment division, independence of the credit check function and implementation of the internal audits by the Internal Auditing Department. Furthermore, risks are managed integrally with profit and capital on an economic value basis by a committee in charge of ERM. Through the promotion and enhancement of ERM, the Group aims for steady and sustainable growth in its corporate value.

Market risks are properly controlled according to the risk characteristic of each asset based on a precise understanding of the sensitivity of investment assets to parameters reflecting changes in the investment environment, including interest rate, stock prices and exchange rates, as well as by reviewing asset allocation and risk hedging based on identification of the overall risk of the portfolio using the Value at Risk criterion (hereafter referred to as "VaR").

Credit risk of the entire portfolio is identified and controlled through its quantification by the use of VaR based on an internal rating for individual borrowers. Meanwhile, the aggregate amount of investment and loans is capped by each industry sector or by group of companies, according to the corresponding risks, whereby concentration of loans to specific industry sectors or groups of companies is restrained.

Liquidity risks are managed by ensuring a constant amount of liquidity based on the risk management department's precise understanding of the latest risk information, including the share of highly

liquid assets, cash flow situation, trends of the general financial/securities markets and status of individual financial instruments, as well as developing a management structure that enables smooth liquidation of assets for financing.

The fair value amounts were based on market prices. If market prices were not readily available, management estimated a fair value

using certain valuation methodologies. Estimation of fair value requires the use of certain assumptions and valuation methodologies. The use of different assumptions and valuation methodologies may have a significant effect on the derived fair value amounts. In addition, notional amounts of derivative financial instruments shown in the following table do not represent exposure to market risks.

The following tables show carrying amounts, fair value amounts and differences for financial instruments. Financial instruments without readily obtainable fair value are not included.

As of March 31, 2016	Carrying amount	Fair value	Difference
	¥ millions		
Cash and deposits:			
Treated as securities	¥ 92,000	¥ 92,000	¥ —
Available-for-sale securities	92,000	92,000	—
Others	932,692	932,692	—
Total cash and deposits	1,024,692	1,024,692	—
Call loans	2,673	2,673	—
Monetary claims purchased:			
Treated as securities	268,376	275,009	6,632
Held-to-maturity bonds	70,609	77,241	6,632
Available-for-sale securities	197,767	197,767	—
Others	1,292	1,497	205
Total monetary claims purchased	269,668	276,506	6,838
Monetary trusts:			
Monetary trusts for trading purposes	9,465	9,465	—
Monetary trusts for held-to-maturity purposes	39,439	41,067	1,627
Monetary trusts for policy reserve-matching purposes	447,346	493,093	45,746
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	29,650	29,650	—
Total monetary trusts	525,902	573,276	47,373
Securities:			
Trading securities	179,419	179,419	—
Held-to-maturity bonds	1,438,625	1,737,393	298,767
Policy reserve-matching bonds	2,618,412	3,201,769	583,356
Available-for-sale securities	6,063,181	6,063,181	—
Total securities	10,299,639	11,181,763	882,123
Loans:			
Policy loans *1	134,160	150,718	16,565
Commercial loans *1	1,633,730	1,698,719	66,572
Reserve for possible loan losses *2	(1,591)	—	—
Total loans	1,766,300	1,849,437	83,137
Total assets	13,888,877	14,908,350	1,019,473
Short-term debentures	2,999	2,999	—
Bonds	50,125	49,596	(528)
Borrowings within other liabilities	65,052	65,648	596
Total liabilities	118,177	118,245	67
Derivative financial instruments *3:			
Hedge accounting not applied	11,647	11,647	—
Hedge accounting applied	41,829	43,516	1,686
Total derivative financial instruments	¥ 53,477	¥ 55,163	¥ 1,686

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. (In the case of net liabilities, amounts are shown in parentheses.)

As of March 31, 2016	US\$ thousands		
	Carrying amount	Fair value	Difference
Cash and deposits:			
Treated as securities	\$ 816,471	\$ 816,471	\$ —
Available-for-sale securities	816,471	816,471	—
Others	8,277,360	8,277,360	—
Total cash and deposits	9,093,831	9,093,831	—
Call loans	23,722	23,722	—
Monetary claims purchased:			
Treated as securities	2,381,759	2,440,621	58,862
Held-to-maturity bonds	626,634	685,497	58,862
Available-for-sale securities	1,755,124	1,755,124	—
Others	11,467	13,291	1,823
Total monetary claims purchased	2,393,227	2,453,912	60,685
Monetary trusts:			
Monetary trusts for trading purposes	84,004	84,004	—
Monetary trusts for held-to-maturity purposes	350,016	364,459	14,442
Monetary trusts for policy reserve-matching purposes	3,970,065	4,376,050	405,984
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	263,135	263,135	—
Total monetary trusts	4,667,221	5,087,649	420,427
Securities:			
Trading securities	1,592,291	1,592,291	—
Held-to-maturity bonds	12,767,357	15,418,826	2,651,469
Policy reserve-matching bonds	23,237,601	28,414,705	5,177,104
Available-for-sale securities	53,808,855	53,808,855	—
Total securities	91,406,105	99,234,678	7,828,573
Loans:			
Policy loans *1	1,190,636	1,337,576	147,011
Commercial loans *1	14,498,850	15,075,608	590,809
Reserve for possible loan losses *2	(14,123)	—	—
Total loans	15,675,363	16,413,184	737,820
Total assets	123,259,471	132,306,979	9,047,507
Short-term debentures	26,623	26,623	—
Bonds	444,843	440,151	(4,692)
Borrowings within other liabilities	577,320	582,613	5,292
Total liabilities	1,048,787	1,049,387	600
Derivative financial instruments *3:			
Hedge accounting not applied	103,372	103,372	—
Hedge accounting applied	371,226	386,190	14,964
Total derivative financial instruments	\$ 474,598	\$ 489,563	\$ 14,964

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. (In the case of net liabilities, amounts are shown in parentheses.)

As of March 31, 2015	Carrying amount	Fair value	Y millions Difference
Cash and deposits:			
Treated as securities	¥ 56,400	¥ 56,400	¥ —
Available-for-sale securities	56,400	56,400	—
Others	277,791	277,791	—
Total cash and deposits	334,191	334,191	—
Call loans			
	329,876	329,876	—
Monetary claims purchased:			
Treated as securities	338,576	344,488	5,911
Held-to-maturity bonds	82,471	88,383	5,911
Available-for-sale securities	256,104	256,104	—
Others	1,350	1,481	130
Total monetary claims purchased	339,927	345,969	6,042
Monetary trusts:			
Monetary trusts for trading purposes	9,260	9,260	—
Monetary trusts for held-to-maturity purposes	22,610	22,595	(14)
Monetary trusts for policy reserve-matching purposes	396,372	408,590	12,218
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	9,379	9,379	—
Total monetary trusts	437,622	449,825	12,203
Securities:			
Trading securities	339,849	339,849	—
Held-to-maturity bonds	1,540,385	1,711,373	170,987
Policy reserve-matching bonds	2,687,767	3,001,339	313,572
Available-for-sale securities	6,062,467	6,062,467	—
Total securities	10,630,470	11,115,030	484,559
Loans:			
Policy loans *1	139,295	154,470	15,183
Commercial loans *1	1,724,542	1,775,315	52,553
Reserve for possible loan losses *2	(1,788)	—	—
Total loans	1,862,049	1,929,785	67,736
Total assets	13,934,137	14,504,679	570,541
Short-term debentures	2,999	2,999	—
Bonds	51,100	51,392	292
Borrowings within other liabilities	81,198	81,679	481
Total liabilities	135,297	136,071	773
Derivative financial instruments *3:			
Hedge accounting not applied	9,502	9,502	—
Hedge accounting applied	(40,495)	(39,683)	812
Total derivative financial instruments	¥ (30,993)	¥ (30,180)	¥ 812

*1. Difference indicates the difference between the amount after deducting the reserve for possible loan losses recorded in balance sheet and its current fair value.

*2. Reserve for possible loan losses for loans is deducted.

*3. Assets and liabilities arising from derivative transactions are shown at net value. (In the case of net liabilities, amounts are shown in parentheses.)

The following methods and assumptions are used to estimate the fair value of financial instruments.

Cash and deposits: mainly recorded in book values as their market values are proximate to the book values.

Call loans: recorded in book values as these are settled in a short period of time, thus their market values are proximate to the book values.

Monetary claims purchased: those that are reasonably deemed appropriate to treat as securities are recorded in the same way as securities, while others that are reasonably deemed appropriate to

treat as loan receivable are recorded in the same way as loans.

Monetary trusts: monetary trusts which are mainly invested in securities are recorded in the same way as securities. In addition, foreign exchange contracts, currency options and stock index option contracts, etc., are used in monetary trusts where the market values for foreign exchange contracts are obtained from trustee companies, and the market values for currency options and stock index option contracts, etc., are calculated based on prices quoted by the counterparty financial institutions.

Securities: market values of securities are mainly based on their prices quoted on the stock exchange concerned, while those of bonds are based either on the statistics for reference published by the Japan Securities Dealers Association, or on the prices quoted by the underwriting financial institutions. Market values of investment trusts are based on the published base values.

Loans: for policy loans, market values are calculated by discounting by risk-free rate, the expected future cash flow derived from the repayment rate based on the past actual repayment performance. Commercial loans are basically recorded at book values as their market values are proximate to the book values, unless borrowers' credit standings significantly change after loans were provided. Market values of loans provided at fixed rates are calculated by discounting principal and interest by risk-free rates weighted by credit risks involved. Since estimated bad debts associated with loans to Bankrupt Debtors, loans to Effectively

Bankrupt Debtors and loans to Potentially Bankrupt Debtors, are calculated based on the present value of the estimated future cash flows, or estimated amounts recoverable through pledge or guarantee, their market values are proximate to consolidated balance sheet amounts less estimated bad debts as at the balance sheet date, which are recorded as market values. However, compound financial instruments are based on their prices quoted by the underwriting financial institutions.

Short term debentures: recorded in book values as these are settled in a short period of time, thus their market values are proximate to the book values.

Bonds: market values are based on the price provided from the counterparty financial institutions or calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.

Borrowings: market values are calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.

The carrying amounts of financial instruments without readily obtainable fair value are summarized as follows:

As of March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Investments in affiliates	¥ 317	¥ 306	\$ 2,818
Available-for-sale securities:			
Unlisted stocks	24,514	16,570	217,558
Foreign securities	155,632	187,004	1,381,192
Other securities	12,500	13,047	110,942
Total available-for-sale securities	¥192,648	¥216,621	\$1,709,693

Note: Impairment losses with respect to the unlisted stocks without readily obtainable fair value for the years ended March 31, 2016 and 2015 were ¥3,569 million (\$31,675 thousand) and ¥1,047 million, respectively, and were charged to expenses.

The carrying amounts or principal amounts of monetary claims and fixed maturity securities by contractual maturity date after the consolidated closing date are as follows:

As of March 31, 2016	¥ millions			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	¥1,024,317	¥ —	¥ —	¥ —
Call loans	2,673	—	—	—
Monetary claims purchased	101,876	5,519	293	151,556
Securities:				
Held-to-maturity bonds				
Government bonds	31,752	278,000	246,177	609,568
Municipal bonds	—	13,595	700	38,648
Corporate bonds	9,104	17,335	43,981	177,289
Policy reserve-matching bonds				
Government bonds	2,399	82,588	243,565	1,408,460
Municipal bonds	22,470	13,286	31,410	95,830
Corporate bonds	64,834	67,860	111,810	465,200
Available-for-sale fixed maturity securities				
Government bonds	29,950	29,871	109,582	120,049
Municipal bonds	35,915	132,683	10,476	20,502
Corporate bonds	146,789	536,196	210,355	159,564
Foreign securities	148,948	552,024	1,355,241	401,367
Other securities	26	1	8	—
Loans	225,545	693,036	510,139	184,645

As of March 31, 2016	US\$ thousands			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	\$9,090,496	\$ —	\$ —	\$ —
Call loans	23,722	—	—	—
Monetary claims purchased	904,120	48,985	2,602	1,345,014
Securities:				
Held-to-maturity bonds				
Government bonds	281,789	2,467,163	2,184,749	5,409,727
Municipal bonds	—	120,659	6,212	342,996
Corporate bonds	80,795	153,842	390,317	1,573,386
Policy reserve-matching bonds				
Government bonds	21,290	732,942	2,161,563	12,499,645
Municipal bonds	199,414	117,909	278,753	850,461
Corporate bonds	575,381	602,236	992,279	4,128,505
Available-for-sale fixed maturity securities				
Government bonds	265,796	265,095	972,506	1,065,398
Municipal bonds	318,738	1,177,528	92,975	181,948
Corporate bonds	1,302,712	4,758,576	1,866,836	1,416,086
Foreign securities	1,321,870	4,899,042	12,027,348	3,562,010
Other securities	239	12	72	—
Loans	2,001,645	6,150,486	4,527,333	1,638,668

Note: Securities without contractual maturity date in the amount of ¥561,516 million (\$4,983,281 thousand) are not included. In addition, loans without contractual maturity date such as policy loans in the amount of ¥154,490 million (\$1,371,058 thousand) are not included.

As of March 31, 2015	¥ millions			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	¥333,718	¥ 100	¥ —	¥ —
Call loans	329,876	—	—	—
Monetary claims purchased	143,606	5,806	293	180,556
Securities:				
Held-to-maturity bonds				
Government bonds	101,435	242,904	290,953	609,170
Municipal bonds	—	13,595	700	39,196
Corporate bonds	14,616	14,835	55,585	184,383
Policy reserve-matching bonds				
Government bonds	22,176	81,444	205,780	1,447,075
Municipal bonds	23,061	47,163	14,110	99,230
Corporate bonds	59,280	117,694	107,380	451,630
Available-for-sale fixed maturity securities				
Government bonds	125,803	35,150	94,992	187,037
Municipal bonds	47,056	155,154	8,869	22,266
Corporate bonds	102,550	588,561	234,006	152,899
Foreign securities	104,021	564,183	1,334,715	336,993
Other securities	—	25	21	—
Loans	253,687	762,957	466,683	215,698

Note: Securities without contractual maturity date in the amount of ¥543,671 million are not included. In addition, loans without contractual maturity date such as policy loans in the amount of ¥164,772 million are not included.

The carrying amounts of bonds and borrowings by contractual maturity date after the consolidated closing date are as follows:

							¥ millions
As of March 31, 2016	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term debenture	¥ 3,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	30,000	20,000	
Borrowings within other liabilities	11,252	9,486	7,117	4,875	1,830	30,492	

							US\$ thousands
As of March 31, 2016	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term debenture	\$26,624	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	—	266,240	177,493	
Borrowings within other liabilities	99,858	84,185	63,161	43,264	16,240	270,611	

							¥ millions
As of March 31, 2015	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	
Short-term debenture	¥ 3,000	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	—	—	51,100	
Borrowings within other liabilities	11,104	8,560	6,794	4,425	2,183	48,132	

Note 23 Investments in Securities

Investments in securities held by the Company and its consolidated subsidiaries are summarized as follows:

(1) Trading securities

		¥ millions	US\$ thousands
As of March 31		2016	2015
Valuation difference charged to earnings (losses)		¥(41,072)	¥(5,595)
			\$(364,507)

(2) Held-to-maturity bonds

				¥ millions
As of March 31, 2016	Carrying amount	Fair value	Difference	
Items with fair value exceeding carrying amount:				
Domestic bonds:				
Government bonds	¥1,143,791	¥1,376,026	¥232,234	
Municipal bonds	53,561	65,645	12,084	
Corporate bonds	240,338	294,823	54,484	
Total domestic bonds	1,437,691	1,736,495	298,803	
Other securities	70,609	77,241	6,632	
Total	1,508,301	1,813,737	305,436	
Items with fair value not exceeding carrying amount:				
Domestic bonds:				
Government bonds	933	897	(36)	
Municipal bonds	—	—	—	
Corporate bonds	—	—	—	
Total domestic bonds	933	897	(36)	
Other securities	—	—	—	
Total	933	897	(36)	
Grand total	¥1,509,235	¥1,814,635	¥305,400	

As of March 31, 2016	US\$ thousands		
	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	\$10,150,797	\$12,211,806	\$2,061,008
Municipal bonds	475,337	582,583	107,245
Corporate bonds	2,132,933	2,616,467	483,534
Total domestic bonds	12,759,068	15,410,857	2,651,788
Other securities	626,634	685,497	58,862
Total	13,385,703	16,096,354	2,710,651
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	8,288	7,968	(319)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Total domestic bonds	8,288	7,968	(319)
Other securities	—	—	—
Total	8,288	7,968	(319)
Grand total	\$13,393,992	\$16,104,323	\$2,710,331

Note: Other securities include beneficiary trust certificates amounting to ¥70,609 million (\$626,634 thousand) that are represented as monetary claims purchased in the consolidated balance sheet.

As of March 31, 2015	¥ millions		
	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds:			
Government bonds	¥1,158,829	¥1,290,582	¥131,753
Municipal bonds	54,156	60,861	6,704
Corporate bonds	261,935	294,512	32,577
Total domestic bonds	1,474,921	1,645,956	171,035
Other securities	82,471	88,383	5,911
Total	1,557,392	1,734,340	176,947
Items with fair value not exceeding carrying amount:			
Domestic bonds:			
Government bonds	65,464	65,416	(48)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Total domestic bonds	65,464	65,416	(48)
Other securities	—	—	—
Total	65,464	65,416	(48)
Grand total	¥1,622,857	¥1,799,756	¥176,899

Note: Other securities include beneficiary trust certificates amounting to ¥82,471 million that are represented as monetary claims purchased in the consolidated balance sheet.

(3) Policy reserve-matching bonds

				¥ millions
As of March 31, 2016	Carrying amount	Fair value	Difference	
Items with fair value exceeding carrying amount:				
Domestic bonds:				
Government bonds	¥1,744,055	¥2,160,080	¥416,024	
Municipal bonds	162,595	192,975	30,379	
Corporate bonds	702,993	839,989	136,996	
Total	2,609,644	3,193,045	583,400	
Items with fair value not exceeding carrying amount:				
Domestic bonds:				
Government bonds	994	992	(2)	
Municipal bonds	400	399	(0)	
Corporate bonds	7,373	7,331	(41)	
Total	8,768	8,723	(44)	
Grand total	¥2,618,412	¥3,201,769	¥583,356	

				US\$ thousands
As of March 31, 2016	Carrying amount	Fair value	Difference	
Items with fair value exceeding carrying amount:				
Domestic bonds:				
Government bonds	\$15,477,951	\$19,170,041	\$3,692,089	
Municipal bonds	1,442,987	1,712,597	269,610	
Corporate bonds	6,238,845	7,454,645	1,215,799	
Total	23,159,784	28,337,283	5,177,499	
Items with fair value not exceeding carrying amount:				
Domestic bonds:				
Government bonds	8,829	8,807	(22)	
Municipal bonds	3,549	3,547	(2)	
Corporate bonds	65,437	65,067	(369)	
Total	77,816	77,422	(394)	
Grand total	\$23,237,601	\$28,414,705	\$5,177,104	

				¥ millions
As of March 31, 2015	Carrying amount	Fair value	Difference	
Items with fair value exceeding carrying amount:				
Domestic bonds:				
Government bonds	¥1,743,670	¥1,959,031	¥215,360	
Municipal bonds	183,367	202,535	19,167	
Corporate bonds	693,401	772,540	79,138	
Total	2,620,440	2,934,107	313,667	
Items with fair value not exceeding carrying amount:				
Domestic bonds:				
Government bonds	24,007	23,922	(84)	
Municipal bonds	—	—	—	
Corporate bonds	43,319	43,309	(10)	
Total	67,326	67,231	(95)	
Grand total	¥2,687,767	¥3,001,339	¥313,572	

(4) Available-for-sale securities

As of March 31, 2016	Carrying amount	Acquisition cost	¥ millions
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 347,485	¥ 292,569	¥ 54,916
Municipal bonds	204,949	193,808	11,141
Corporate bonds	1,115,445	1,068,307	47,137
Total domestic bonds	1,667,881	1,554,685	113,195
Domestic equities	615,573	313,383	302,190
Foreign securities:			
Foreign bonds	2,411,565	2,206,486	205,079
Foreign equities	8,684	7,626	1,058
Foreign other securities	407,437	381,118	26,318
Total foreign securities	2,827,688	2,595,232	232,455
Other securities	214,793	182,178	32,614
Total	5,325,936	4,645,479	680,456
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	—	—	—
Municipal bonds	6,354	6,396	(41)
Corporate bonds	67,435	69,165	(1,730)
Total domestic bonds	73,789	75,561	(1,771)
Domestic equities	70,472	77,622	(7,150)
Foreign securities:			
Foreign bonds	418,518	440,371	(21,853)
Foreign equities	14,199	16,318	(2,119)
Foreign other securities	158,050	164,589	(6,538)
Total foreign securities	590,767	621,279	(30,511)
Other securities	291,983	305,038	(13,055)
Total	1,027,013	1,079,501	(52,488)
Grand total	¥6,352,949	¥5,724,981	¥627,967

As of March 31, 2016	US\$ thousands		
	Carrying amount	Acquisition cost	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	\$ 3,083,828	\$ 2,596,463	\$ 487,365
Municipal bonds	1,818,866	1,719,987	98,878
Corporate bonds	9,899,235	9,480,900	418,334
Total domestic bonds	14,801,930	13,797,351	1,004,579
Domestic equities	5,463,021	2,781,177	2,681,843
Foreign securities:			
Foreign bonds	21,401,899	19,581,885	1,820,013
Foreign equities	77,072	67,681	9,390
Foreign other securities	3,615,882	3,382,312	233,570
Total foreign securities	25,094,854	23,031,879	2,062,974
Other securities	1,906,223	1,616,779	289,444
Total	47,266,029	41,227,188	6,038,841
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	—	—	—
Municipal bonds	56,395	56,766	(370)
Corporate bonds	598,464	613,818	(15,353)
Total domestic bonds	654,860	670,584	(15,724)
Domestic equities	625,421	688,878	(63,457)
Foreign securities:			
Foreign bonds	3,714,218	3,908,160	(193,941)
Foreign equities	126,011	144,818	(18,806)
Foreign other securities	1,402,649	1,460,680	(58,030)
Total foreign securities	5,242,880	5,513,659	(270,778)
Other securities	2,591,259	2,707,121	(115,862)
Total	9,114,422	9,580,244	(465,822)
Grand total	\$56,380,451	\$50,807,432	\$5,573,018

Note: Other securities include certificates of deposit amounting to ¥92,000 million (\$816,471 thousand) that are represented as cash and deposits, commercial paper amounting to ¥101,816 million (\$903,586 thousand) and beneficiary trust certificates amounting to ¥95,951 million (\$851,537 thousand) that are represented as monetary claims purchased in the consolidated balance sheet.

As of March 31, 2015	Carrying amount	Acquisition cost	¥ millions Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds:			
Government bonds	¥ 439,470	¥ 395,753	¥ 43,716
Municipal bonds	244,095	232,260	11,835
Corporate bonds	1,062,582	1,013,352	49,229
Total domestic bonds	1,746,148	1,641,366	104,781
Domestic equities	737,744	339,545	398,198
Foreign securities:			
Foreign bonds	2,558,836	2,315,650	243,185
Foreign equities	17,775	15,600	2,174
Foreign other securities	525,095	469,961	55,134
Total foreign securities	3,101,707	2,801,212	300,495
Other securities	243,884	198,780	45,103
Total	5,829,484	4,980,905	848,579
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds:			
Government bonds	50,320	50,325	(4)
Municipal bonds	1,678	1,678	(0)
Corporate bonds	87,511	87,703	(192)
Total domestic bonds	139,510	139,708	(197)
Domestic equities	3,121	3,330	(209)
Foreign securities:			
Foreign bonds	139,836	145,291	(5,455)
Foreign equities	1,657	1,717	(60)
Foreign other securities	27,991	28,790	(798)
Total foreign securities	169,485	175,799	(6,314)
Other securities	233,369	234,978	(1,608)
Total	545,487	553,816	(8,328)
Grand total	¥6,374,972	¥5,534,721	¥840,250

Note: Other securities include certificates of deposit amounting to ¥56,400 million that are represented as cash and deposits, commercial paper amounting to ¥143,541 million and beneficiary trust certificates amounting to ¥112,562 million that are represented as monetary claims purchased in the consolidated balance sheet.

(5) The sales of securities classified as held-to-maturity bonds

There were no sales of securities classified as held-to-maturity bonds for the years ended March 31, 2016 and 2015.

(6) The sales of securities classified as policy reserve-matching bonds

	¥ millions		
Year ended March 31, 2016	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	¥47,591	¥4,656	¥—
Municipal bonds	11,443	41	—
Corporate bonds	1,003	2	—
Total	¥60,038	¥4,700	¥—

	US\$ thousands		
Year ended March 31, 2016	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	\$422,359	\$41,326	\$—
Municipal bonds	101,556	365	—
Corporate bonds	8,904	25	—
Total	\$532,820	\$41,717	\$—

	¥ millions		
Year ended March 31, 2015	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	¥12,687	¥360	¥0
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Total	¥12,687	¥360	¥0

(7) The sales of securities classified as available-for-sale securities

	¥ millions		
Year ended March 31, 2016	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	¥ 224,903	¥ 6,837	¥ 2,148
Municipal bonds	—	—	—
Corporate bonds	2,590	81	—
Total domestic bonds	227,494	6,919	2,148
Domestic equities	121,273	30,275	4,782
Foreign securities:			
Foreign bonds	829,399	19,741	7,799
Foreign equities	5,344	1,136	182
Foreign other securities	49,082	11,062	406
Total foreign securities	883,826	31,941	8,388
Other securities	46,204	3,566	1,038
Total	¥1,278,798	¥72,702	¥16,357

Year ended March 31, 2016	US\$ thousands		
	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	\$ 1,995,950	\$ 60,683	\$ 19,066
Municipal bonds	—	—	—
Corporate bonds	22,988	727	—
Total domestic bonds	2,018,939	61,411	19,066
Domestic equities	1,076,267	268,684	42,443
Foreign securities:			
Foreign bonds	7,360,661	175,199	69,219
Foreign equities	47,431	10,087	1,617
Foreign other securities	435,594	98,180	3,604
Total foreign securities	7,843,687	283,467	74,441
Other securities	410,047	31,650	9,214
Total	\$11,348,941	\$645,213	\$145,165

Year ended March 31, 2015	¥ millions		
	Proceeds on sales	Gross gains	Gross losses
Domestic bonds:			
Government bonds	¥ 17,488	¥ 21	¥ 256
Municipal bonds	—	—	—
Corporate bonds	16,318	1,528	89
Total domestic bonds	33,806	1,550	345
Domestic equities	83,557	5,340	549
Foreign securities:			
Foreign bonds	420,667	18,175	5,350
Foreign equities	8,896	1,838	23
Foreign other securities	30,146	5,416	685
Total foreign securities	459,710	25,429	6,059
Other securities	24,241	1,751	18
Total	¥601,315	¥34,072	¥6,972

(8) Impairment of securities

The Company and its consolidated subsidiaries recognized ¥532 million (\$4,726 thousand) and ¥18 million as impairment losses for the available-for-sale securities with readily obtainable fair value for the fiscal years ended March 31, 2016 and 2015, respectively.

The Company and its consolidated subsidiaries recognize impairment losses on securities if fair value as of the end of the fiscal year declines by 30% or more from their acquisition cost.

Note 24 Investments in Monetary Trusts

Monetary trusts held by the Company and its consolidated subsidiaries for trading purposes are summarized as follows:

	¥ millions		US\$ thousands
As of March 31,	2016	2015	2016
Valuation difference charged to earnings (losses)	¥4,237	¥5,198	\$37,609

Monetary trusts held by the Company and its consolidated subsidiaries for held-to-maturity purposes are summarized as follows:

	¥ millions		
As of March 31, 2016	Carrying amount	Fair value	Difference
Monetary trusts	¥39,439	¥41,067	¥1,627

	US\$ thousands		
As of March 31, 2016	Carrying amount	Fair value	Difference
Monetary trusts	\$350,016	\$364,459	\$14,442

	¥ millions		
As of March 31, 2015	Carrying amount	Fair value	Difference
Monetary trusts	¥22,610	¥22,595	¥(14)

Monetary trusts held by the Company and its consolidated subsidiaries for policy reserve-matching purpose are summarized as follows:

	¥ millions		
As of March 31, 2016	Carrying amount	Fair value	Difference
Monetary trusts	¥447,346	¥493,093	¥45,746

	US\$ thousands		
As of March 31, 2016	Carrying amount	Fair value	Difference
Monetary trusts	\$3,970,065	\$4,376,050	\$405,984

	¥ millions		
As of March 31, 2015	Carrying amount	Fair value	Difference
Monetary trusts	¥396,372	¥408,590	¥12,218

Monetary trusts other than trading, held-to-maturity or policy reserve-matching purposes are summarized as follows:

	¥ millions		
As of March 31, 2016	Carrying amount	Acquisition cost	Difference
Monetary trusts	¥29,650	¥28,476	¥1,173

	US\$ thousands		
As of March 31, 2016	Carrying amount	Acquisition cost	Difference
Monetary trusts	\$263,135	\$252,722	\$10,412

	¥ millions		
As of March 31, 2015	Carrying amount	Acquisition cost	Difference
Monetary trusts	¥9,379	¥9,151	¥228

Note 25 Derivative Financial Instruments

(1) Derivative financial instruments for which hedge accounting is not applied

a. Currency-related transactions

As of March 31, 2016	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥122,324	¥ —	¥ 360	¥ 360
U.S. dollar	90,962	—	994	994
Euro	11,953	—	(330)	(330)
Canadian dollar	3,899	—	(42)	(42)
Australian dollar	15,508	—	(262)	(262)
Bought	20,558	—	62	62
U.S. dollar	19,346	—	61	61
Euro	1,212	—	1	1
Currency options:				
Sold				
Call	40,120	—		
U.S. dollar	[352]	[—]	11	341
Bought				
Put	64,640	—		
U.S. dollar	[722]	[—]	593	(129)
U.S. dollar	64,640	—		
	[722]	[—]	593	(129)
Currency swaps:				
Receive foreign, pay yen	67,046	—	(159)	(159)
U.S. dollar	10,501	—	(495)	(495)
Australian dollar	56,544	—	335	335
Total				¥ 474

				US\$ thousands
As of March 31, 2016	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	\$1,085,591	\$ —	\$ 3,196	\$ 3,196
U.S. dollar	807,261	—	8,829	8,829
Euro	106,086	—	(2,930)	(2,930)
Canadian dollar	34,609	—	(376)	(376)
Australian dollar	137,633	—	(2,326)	(2,326)
Bought	182,449	—	551	551
U.S. dollar	171,692	—	542	542
Euro	10,757	—	9	9
Currency options:				
Sold				
Call	356,060	—		
	[3,129]	[—]	100	3,029
U.S. dollar	356,060	—		
	[3,129]	[—]	100	3,029
Bought				
Put	573,659	—		
	[6,413]	[—]	5,263	(1,150)
U.S. dollar	573,659	—		
	[6,413]	[—]	5,263	(1,150)
Currency swaps:				
Receive foreign, pay yen	595,016	—	(1,419)	(1,419)
U.S. dollar	93,198	—	(4,396)	(4,396)
Australian dollar	501,817	—	2,976	2,976
Total				\$ 4,207

- Note 1. Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates. Fair value of currency options is calculated based on the price obtained from the counterparty financial institutions. Fair value of currency swaps used in management trusts is calculated based on the price obtained from the trustee companies.
2. Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.
3. Figures in parentheses indicates the option premiums recognized in the consolidated balance sheet.

				¥ millions
As of March 31, 2015	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥155,094	¥—	¥1,889	¥1,889
U.S. dollar	138,857	—	1,435	1,435
Euro	11,972	—	242	242
Australian dollar	4,264	—	212	212
Bought	1,824	—	8	8
U.S. dollar	826	—	3	3
Euro	998	—	4	4
Currency swaps:				
Receive foreign, pay yen	45,808	—	(692)	(692)
U.S. dollar	6,068	—	73	73
Australian dollar	39,739	—	(766)	(766)
Total				¥1,205

- Note 1. Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates. Fair value of currency swaps used in management trusts is calculated based on the price obtained from the trustee companies.
2. Assets and liabilities denominated in foreign currencies, which have fixed settlement amounts in yen under forward exchange contracts and are disclosed in yen amounts in the consolidated balance sheet, are not subject to this disclosure.

b. Interest-related transactions

				¥ millions
As of March 31, 2016	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	¥52,935	¥50,091	¥10,884	¥10,884
Total				¥10,884

				US\$ thousands
As of March 31, 2016	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	\$469,787	\$444,549	\$96,595	\$96,595
Total				\$96,595

Note: Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or based on prices obtained from counterparty financial institutions.

				¥ millions
As of March 31, 2015	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	¥44,841	¥42,581	¥8,620	¥8,620
Total				¥8,620

Note: Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or based on prices obtained from counterparty financial institutions.

c. Stock-related transactions

				¥ millions
As of March 31, 2016	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Stock index options:				
Sold				
Call	¥ 9,919	¥ —		
	[51]	[—]	¥2	¥ 49
Bought				
Put	28,445	—		
	[345]	[—]	2	(343)
Total				¥(293)

As of March 31, 2016	Notional amount		Fair value	US\$ thousands
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Stock index options:				
Sold				
Call	\$ 88,031	\$ —		
	[458]	[—]	\$19	\$ 438
Bought				
Put	252,440	—		
	[3,063]	[—]	19	(3,044)
Total				\$ (2,605)

Note 1. Fair value of stock index options is calculated based on the closing price on major exchanges or price obtained from the counterparty financial institutions.

2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

The Company held no stock-related derivative instruments as of March 31, 2015.

d. Others

As of March 31, 2016	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Compound financial instruments	¥3,000	¥—	¥2,919	¥(80)
Total				¥(80)

As of March 31, 2016	Notional amount		Fair value	US\$ thousands
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Compound financial instruments	\$26,624	\$—	\$25,910	\$(713)
Total				\$(713)

Note 1. Fair value of compound financial instruments is calculated based on the price obtained from the counterparty financial institutions.

2. Compound financial instruments are those of which embedded derivatives are not rationally separated from compound financial instruments.

3. Contracted value or notional principal amount indicates purchase amount of compound financial instruments.

As of March 31, 2015	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Compound financial instruments	¥3,000	¥3,000	¥2,675	¥(324)
Total				¥(324)

Note 1. Fair value of compound financial instruments is calculated based on the price obtained from the counterparty financial institutions.

2. Compound financial instruments are those of which embedded derivatives are not rationally separated from compound financial instruments.

3. Contracted value or notional principal amount indicates purchase amount of compound financial instruments.

T&D Financial Life uses monetary trusts to execute derivative transactions. The following tables show a summary of the notional amounts and fair values of derivative financial instruments.

As of March 31, 2016	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Foreign exchange contracts:				
Sold	¥ 3,762	¥ —	¥ (78)	¥ (78)
U.S. dollar	634	—	3	3
Australian dollar	3,127	—	(81)	(81)
Currency options:				
Bought:				
Put	4,777	3,508		
	[1,083]	[836]	393	(690)
U.S. dollar	2,731	1,974		
	[677]	[513]	213	(463)
Euro	2,046	1,534		
	[406]	[322]	179	(226)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	102	78		
	[34]	[26]	83	48
Put	29,295	19,605		
	[6,545]	[4,787]	2,109	(4,435)
Total				¥(5,155)

As of March 31, 2016	Notional amount		Fair value	US\$ thousands
	Total	Over one year		Valuation gains (losses)
	Over-the-counter transactions:			
Foreign exchange contracts:				
Sold	\$ 33,387	\$ —	\$ (692)	\$ (692)
U.S. dollar	5,635	—	29	29
Australian dollar	27,751	—	(722)	(722)
Currency-related transactions:				
Currency options:				
Bought:				
Put	42,401	31,140		
	[9,619]	[7,422]	3,489	(6,129)
U.S. dollar	24,243	17,519		
	[6,009]	[4,557]	1,892	(4,116)
Euro	18,157	13,620		
	[3,610]	[2,864]	1,597	(2,012)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	906	693		
	[306]	[231]	739	432
Put	259,990	173,992		
	[58,084]	[42,486]	18,719	(39,364)
Total				\$(45,754)

Note 1. Fair value is based on prices obtained from counterparty financial institutions.

2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

As of March 31, 2015	Notional amount		Fair value	¥ millions
	Total	Over one year		Valuation gains (losses)
	Over-the-counter transactions:			
Currency-related transactions:				
Currency options:				
Bought:				
Put	¥ 6,682	¥ 4,777		
	[1,421]	[1,083]	¥ 438	¥ (983)
U.S. dollar	3,748	2,731		
	[879]	[677]	202	(677)
Euro	2,933	2,046		
	[542]	[406]	236	(306)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	126	102		
	[42]	[34]	109	66
Put	48,534	31,485		
	[10,188]	[7,124]	2,018	(8,170)
Total				¥(9,087)

Note 1. Fair value is based on prices obtained from counterparty financial institutions.

2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

(2) Derivative financial instruments for which hedge accounting is applied

a. Currency-related transactions

				¥ millions	
As of March 31, 2016	Hedged item	Notional amount		Fair value	
Recognition of valuation gains/losses on hedged items:					
Foreign exchange contracts:					
Sold	Foreign currency-	¥2,543,856	¥ —	¥43,176	
U.S. dollar	denominated assets	1,735,277	—	42,855	
Euro		442,319	—	(2,134)	
British pound		203,120	—	7,177	
Canadian dollar		113,798	—	(1,694)	
Australian dollar		38,332	—	(2,286)	
Mexican peso		11,008	—	(741)	
Allocation treatment for foreign exchange contracts, etc.:					
Foreign exchange contracts:					
Sold	Certificates of deposit	70,000	—	—	
U.S. dollar	in foreign currencies	35,000	—	—	
Australian dollar		35,000	—	—	
Currency swaps:					
Receive yen, pay foreign currency		6,163	6,163	—	
U.S. dollar	Foreign currency-				
	denominated loans	6,163	6,163	—	
Total				¥43,176	

				US\$ thousands	
As of March 31, 2016	Hedged item	Notional amount		Fair value	
Recognition of valuation gains/losses on hedged items:					
Foreign exchange contracts:					
Sold	Foreign currency-	\$22,575,933	\$ —	\$383,176	
U.S. dollar	denominated assets	15,400,045	—	380,332	
Euro		3,925,445	—	(18,945)	
British pound		1,802,632	—	63,699	
Canadian dollar		1,009,927	—	(15,040)	
Australian dollar		340,189	—	(20,292)	
Mexican peso		97,692	—	(6,577)	
Allocation treatment for foreign exchange contracts, etc.:					
Foreign exchange contracts:					
Sold	Certificates of deposit	621,228	—	—	
U.S. dollar	in foreign currencies	310,614	—	—	
Australian dollar		310,614	—	—	
Currency swaps:					
Receive yen, pay foreign currency		54,699	54,699	—	
U.S. dollar	Foreign currency-				
	denominated loans	54,699	54,699	—	
Total				\$383,176	

Note 1. Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

Note 2. Fair value of foreign exchange contracts, etc., with allocation treatment is included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans which are the hedged assets for each of these contracts and assets are treated as a unit.

				¥ millions
		Notional amount		
As of March 31, 2015	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold	Foreign currency-denominated assets	¥2,317,781	¥—	¥(41,105)
U.S. dollar		1,702,995	—	(64,743)
Euro		457,389	—	20,569
British pound		98,671	—	2,402
Canadian dollar		25,521	—	(9)
Australian dollar		30,170	—	678
Mexican peso		3,033	—	(3)
Bought		29,633	—	388
U.S. dollar		29,633	—	388
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold	Certificates of deposit in foreign currencies	70,000	—	—
U.S. dollar		35,000	—	—
Australian dollar		35,000	—	—
Total				¥(40,716)

Note 1. Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.

2. Fair value of foreign exchange contracts, etc., with allocation treatment is included in the relevant certificates of deposit in foreign currencies which are the hedged assets for each of these contracts and assets are treated as a unit.

b. Interest-related transactions

				¥ millions
		Notional amount		
As of March 31, 2016	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed, pay floating	Loans	¥76,883	¥68,968	¥1,686
Total				¥1,686

				US\$ thousands
		Notional amount		
As of March 31, 2016	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed, pay floating	Loans	\$682,319	\$612,076	\$14,964
Total				\$14,964

Note: Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or prices obtained from counterparty financial institutions.

				¥ millions
		Notional amount		
As of March 31, 2015	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed, pay floating	Loans	¥90,830	¥73,187	¥812
Total				¥812

Note: Fair value of interest rate swaps is calculated by discounting future cash flows to the present value based on the interest rate at the consolidated fiscal year-end or prices obtained from counterparty financial institutions.

c. Stock-related transactions

				¥ millions
		Notional amount		
As of March 31, 2016	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥16,779	¥—	¥(1,346)
Total				¥(1,346)

				US\$ thousands
		Notional amount		
As of March 31, 2016	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	\$148,910	\$—	\$(11,950)
Total				\$(11,950)

Note: Fair value is calculated based on prices obtained from counterparty financial institutions.

				¥ millions
		Notional amount		
As of March 31, 2015	Hedged item	Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	¥54,647	¥—	¥1,212
Total				¥1,212

Note: Fair value is calculated based on prices obtained from counterparty financial institutions.

d. Bond-related transactions

The Company held no bond-related derivative instruments as of March 31, 2016.

				¥ millions
		Notional amount		
As of March 31, 2015	Hedged item	Total	Over one year	Fair value
Deferral hedge:				
Bond options:				
Sold:	Domestic bonds			
Call		¥146,507	¥—	
		[1,554]	[—]	¥2,395
Bought:				
Put		146,507	—	
		[2,210]	[—]	1,404
Total				¥3,799

Note 1. Fair value is calculated based on closing prices on major exchanges.

Note 2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

Note 26 Employees' Retirement Benefits

(1) Outline of the retirement benefit plan adopted by the T&D Life Group

Domestic consolidated subsidiaries have defined benefit retirement plans such as a defined benefit corporate pension plan, a retirement pension plan, and a retirement lump-sum payment plan. Further, certain subsidiaries have defined contribution pension plans as their defined contribution retirement plan as well as retirement benefit trusts.

(2) Defined benefit retirement plan

a. Changes in the balance of retirement benefit obligations are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Balance at the beginning of the year	¥143,661	¥141,071	\$1,274,953
Service cost	5,952	5,911	52,825
Interest cost	1,566	1,800	13,905
Actuarial gains and losses	14,775	3,416	131,124
Retirement benefit paid	(8,136)	(8,537)	(72,209)
Balance at the end of the year	¥157,819	¥143,661	\$1,400,599

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in service cost.

b. Changes in the balance of plan assets are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Balance at the beginning of the year	¥93,390	¥89,415	\$828,812
Expected return on plan assets	989	1,034	8,780
Net actuarial gains and losses	3,456	3,783	30,676
Employer contribution	6,208	5,256	55,095
Benefit obligation paid	(5,956)	(6,098)	(52,858)
Balance at the end of the year	¥98,088	¥93,390	\$870,507

c. A reconciliation of retirement benefit obligation and plan assets to net defined benefit liability and net defined benefit asset stated in the consolidated balance sheet is as follows:

As of March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Retirement benefit obligations for funded plans	¥130,088	¥116,893	\$1,154,495
Plan assets	(98,088)	(93,390)	(870,507)
Employee pension trusts	[(61,114)]	[(57,591)]	[(542,376)]
	31,999	23,503	283,988
Retirement benefit obligations for unfunded plans	27,731	26,767	246,104
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	59,730	50,271	530,092
Defined benefit liability	59,730	50,271	530,092
Defined benefit asset	—	—	—
Net value for defined benefit liability and defined benefit asset stated in the consolidated balance sheet	¥ 59,730	¥ 50,271	\$ 530,092

d. The components of retirement benefit expense are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Service cost	¥ 5,952	¥ 5,911	\$ 52,825
Interest cost	1,566	1,800	13,905
Expected return on plan assets	(989)	(1,034)	(8,780)
Recognized actuarial gains and losses	11,318	(366)	100,447
Others	8	8	73
Retirement benefit expense relating to defined benefit retirement plan	¥17,856	¥ 6,318	\$158,471

Note: Retirement benefit expense for consolidated subsidiaries using the simplified method is included in service cost.

e. The components of plan assets are as follows:

As of March 31,	2016	2015
Bonds	73.1%	71.8%
General account	11.4	15.6
Foreign securities	7.0	6.6
Stocks	5.0	5.1
Cash and deposits	2.6	0.0
Joint assets	0.9	0.8
Others	0.0	0.0
Total	100.0%	100.0%

Note: The total includes 62.3% and 61.7% of employee pension trusts set up for corporate pension plans for the fiscal years ended March 31, 2016 and 2015, respectively.

The long-term expected rate of return on plan assets is set by considering the present and the prospective asset allocation for plan assets, as well as the present and the expected long-term rate of return arising from various assets that comprise the plan assets.

Assumptions used in accounting for the plan assets were as follows:

Years ended March 31,	2016	2015
Discount rate	(0.07%) – 0.80%	0.32% – 1.60%
Expected long-term rate of return on plan assets	0.57% – 1.90%	0.80% – 1.81%

(3) Defined contribution retirement plans

The required contribution for the defined contribution retirement plan of the T&D Life Group amounted to ¥258 million (\$2,290 thousand) and ¥229 million for the fiscal years ended March 31, 2016 and 2015, respectively.

Note 27 Stock Options

(1) Amount of expenses related to stock options

Years ended March 31,	2016	¥ millions	2015	US\$ thousands
Operating expenses	¥291		¥266	\$2,587

(2) Details, size and status of stock options

a. Details of stock options

T&D Holdings, Inc. stock subscription rights (1st series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 7 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 40
Number of stock options by class*	Common stock: 449,600 shares
Grant date	July 31, 2012
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 1, 2012 to July 31, 2042

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (2nd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 7 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 39
Number of stock options by class*	Common stock: 235,500 shares
Grant date	August 1, 2013
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2013 to August 1, 2043

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (3rd series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 6 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 41
Number of stock options by class *	Common stock: 231,300 shares
Grant date	August 1, 2014
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2014 to August 1, 2044

* Translated to the number of common stock.

T&D Holdings, Inc. stock subscription rights (4th series)	
Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 15 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 43
Number of stock options by class *	Common stock: 170,700 shares
Grant date	August 3, 2015
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 4, 2015 to August 3, 2045

* Translated to the number of common stock.

b. Size and status of stock options

For stock options which existed during the consolidated fiscal year ended March 31, 2016 the number of stock options is translated to the number of common stock.

(i) Number of stock options

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	340,700 shares	217,800 shares	228,700 shares
Vested	—	—	—
Exercised	60,200 shares	37,800 shares	19,500 shares
Forfeited	—	—	—
Exercisable	280,500 shares	180,000 shares	209,200 shares

	T&D Holdings, Inc. stock subscription rights (4th series)
Before vesting:	
At the end of previous fiscal year	—
Granted	170,700 shares
Forfeited	—
Vested	170,700 shares
Outstanding	—
After vesting:	
At the end of previous fiscal year	—
Vested	170,700 shares
Exercised	2,500 shares
Forfeited	—
Exercisable	168,200 shares

(ii) Unit price information

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Exercise price	1.00 yen	1.00 yen	1.00 yen
Average stock price at the time of exercise	1,424.00 yen	1,590.00 yen	1,638.00 yen
Fair value at the granted date	685.00 yen	1,143.00 yen	1,153.00 yen

	T&D Holdings, Inc. stock subscription rights (4th series)
Exercise price	1.00 yen
Average stock price at the time of exercise	1,415.00 yen
Fair value at the granted date	1,708.00 yen

(3) Method for estimating fair value of stock options

The method for estimating fair value of stock options granted during the consolidated fiscal year ended March 31, 2016 is as follows:

a. Valuation method

Black-Scholes model

b. Principal parameters used and their estimation method

	T&D Holdings, Inc. stock subscription rights (4th series)
Stock price volatility (Note 1)	35.60%
Expected remaining period (Note 2)	6.21 years
Expected dividends (Note 3)	25.00 yen
Risk-free interest rate (Note 4)	0.126%

Note 1. Calculated based on the daily closing price of the Company's common stock in regular transactions from May 20, 2009 to August 3, 2015.

2. A period from the grant date to the average time when options are expected to be exercised is applied.

3. Calculated based on the actual dividends for the fiscal year ended March 31, 2015.

4. Based on Japanese government bond yield with a maturity corresponding to the expected remaining period.

(4) Method for estimating the number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

Note 28 >> Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheet are as follows:

Asbestos removal obligations for our office buildings and rental properties are classified as asset retirement obligations. For the estimation of the present value of asset retirement obligations, 50 years from the acquisition of buildings is used as the estimated period before the cost to be incurred and 2.11% as the discount rate.

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Balance at the beginning of the year	¥1,877	¥1,838	\$16,659
Time progress adjustment	39	38	352
Balance at the end of the year	¥1,916	¥1,877	\$17,011

Note 29 >> Real Estate for Rent

The Company and certain consolidated subsidiaries own real estate for rent, consisting mainly of office buildings in major cities in Japan. Their carrying amount, net increase/decrease and fair value are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Carrying amount:			
Balance at the beginning of the year	¥195,166	¥188,392	\$1,732,045
Net increase (decrease)	1,778	6,774	15,781
Balance at the end of the year	196,945	195,166	1,747,827
Fair value at the end of the year	¥229,389	¥225,957	\$2,035,756

Note 1. The carrying amount represents acquisition cost less accumulated depreciation and accumulated impairment loss. Balances at the end of the year for the years ended March 31, 2016 and 2015 include amounts related to asset retirement obligations of ¥196 million (\$1,742 thousand) and ¥247 million, respectively.

2. For the year ended March 31, 2016, the net increase mainly consisted of purchase of real estate totaling ¥15,707 million (\$139,396 thousand) and the net decrease mainly consisted of sales of real estate, depreciation and impairment losses totaling ¥4,936 million (\$43,809 thousand), ¥4,208 million (\$37,345 thousand) and ¥3,449 million (\$30,615 thousand), respectively.

For the year ended March 31, 2015, the net increase mainly consisted of purchase of real estate totaling ¥9,047 million and the net decrease mainly consisted of depreciation totaling ¥4,479 million.

3. Fair value of major properties is calculated based on their appraisal value. Fair value of other properties is calculated based on the posted price.

Gains (losses) on real estate for rent are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2015	2016
Ordinary revenues	¥14,662	¥14,278	\$130,124
Ordinary expenses	9,756	9,921	86,582
Ordinary profit	4,906	4,356	43,542
Other losses	(3,886)	(2,155)	(34,494)

Note 1. Ordinary revenues and ordinary expenses constitute income from lease and corresponding expenses, such as depreciation, repair expenses, insurance expenses and taxes. These amounts are reported in investment income and investment expenses.

2. Other losses are reported in extraordinary losses. These are mainly impairment losses for the year ended March 31, 2016 and 2015.

Note 30 Segment Information

(1) Overview of reportable segments

The reportable segments of the Company are components of the Company about which separate financial information is available. These segments are subject to periodic review to enable the Company's Board of Directors to decide on allocation of business resources and evaluate business performance.

The Company is a holding company which manages life insurance companies and other subsidiaries and affiliated companies in accordance with the Insurance Business Act. The Three Life Insurance Companies, with unique product strategies and sales strategies under the Company, operate life insurance business as the Group's core business.

The Company's operations are therefore segmented by each of the life insurance companies and the Company's three reportable

segments are the Taiyo Life Insurance Company segment, the Daido Life Insurance Company segment and the T&D Financial Life Insurance Company segment.

Each of the Three Life Insurance Companies focuses on different markets. Taiyo Life focuses on the retail households market, Daido Life focuses on the small- and medium-sized entities market and T&D Financial Life focuses on over-the-counter sales at financial institutions and other agents, etc. Each company also has different products under its unique marketing strategy.

(2) Method of calculating ordinary revenues, income or loss, assets and liabilities and others by reportable segment

The method of accounting for the reportable segments is the same as that described in "Summary of Significant Accounting Policies."

(3) Information on ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

Year ended March 31, 2016	Reportable segment						Adjustments	Amount on consolidated financial statements ¥ millions
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	¥ 872,714	¥ 935,264	¥ 218,035	¥ 2,026,014	¥ 28,287	¥ 2,054,301	¥ (28,376)	¥ 2,025,925
Intergroup transfers	1,173	474	—	1,647	42,362	44,010	(44,010)	—
Total	873,887	935,739	218,035	2,027,662	70,649	2,098,312	(72,386)	2,025,925
Segment income (loss)	79,124	90,307	1,212	170,644	18,437	189,081	(17,647)	171,434
Segment assets	7,084,800	6,152,026	1,359,879	14,596,707	919,556	15,516,263	(842,055)	14,674,207
Segment liabilities	6,603,082	5,488,203	1,289,619	13,380,904	161,685	13,542,589	(82,443)	13,460,145
Others								
Depreciation of real estate for rent	2,354	2,658	—	5,012	—	5,012	(21)	4,991
Depreciation	5,708	3,903	136	9,748	702	10,451	(196)	10,254
Provision for (reversal of) policy reserve	39,665	181,309	(26,902)	194,071	250	194,321	—	194,321
Provision for (reversal of) reserve for policyholder dividends	18,135	13,788	(3)	31,920	—	31,920	—	31,920
Interest, dividends and income from real estate for rent	148,103	136,624	7,425	292,153	16,716	308,869	(18,144)	290,725
Interest expenses	871	32	3	908	29	937	(27)	909
Equity in net income of affiliated companies	—	—	—	—	—	—	46	46
Extraordinary gains	3	13,202	1	13,207	108	13,316	(13,152)	163
Extraordinary losses	20,255	8,789	623	29,667	663	30,331	(892)	29,438
Impairment losses	265	3,938	—	4,203	—	4,203	—	4,203
Provision for reserve for price fluctuations	17,831	2,547	189	20,568	—	20,568	—	20,568
Taxes	13,902	26,455	101	40,459	678	41,138	(3,625)	37,513
Investments in affiliated companies	—	100	—	100	—	100	—	100
Increase in tangible fixed assets and intangible fixed assets	¥ 34,903	¥ 17,915	¥ 1,757	¥ 54,576	¥ 1,815	¥ 56,392	¥ (18,183)	¥ 38,208

Year ended March 31, 2016	Reportable segment					Others	Total	Adjustments	US\$ thousands
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Amount on consolidated financial statements				
Ordinary revenues	\$ 7,745,072	\$ 8,300,181	\$ 1,934,994	\$ 17,980,248	\$ 251,040	\$ 18,231,289	\$ (251,831)	\$ 17,979,458	
Intergroup transfers	10,411	4,213	—	14,624	375,953	390,577	(390,577)	—	
Total	7,755,483	8,304,394	1,934,994	17,994,873	626,994	18,621,867	(642,409)	17,979,458	
Segment income (loss)	702,203	801,449	10,760	1,514,412	163,628	1,678,041	(156,614)	1,521,427	
Segment assets	62,875,407	54,597,328	12,068,508	129,541,244	8,160,774	137,702,019	(7,472,982)	130,229,036	
Segment liabilities	58,600,302	48,706,098	11,444,969	118,751,371	1,434,904	120,186,275	(731,661)	119,454,614	
Others									
Depreciation of real estate for rent	20,891	23,593	—	44,485	—	44,485	(187)	44,297	
Depreciation	50,658	34,639	1,215	86,513	6,237	92,751	(1,742)	91,008	
Provision for (reversal of) policy reserve	352,016	1,609,062	(238,754)	1,722,324	2,221	1,724,545	—	1,724,545	
Provision for (reversal of) reserve for policy holder dividends	160,946	122,364	(29)	283,281	—	283,281	—	283,281	
Interest, dividends and income from real estate for rent	1,314,373	1,212,503	65,895	2,592,772	148,350	2,741,122	(161,027)	2,580,094	
Interest expenses	7,735	291	31	8,058	257	8,316	(246)	8,069	
Equity in net income of affiliated companies	—	—	—	—	—	—	413	413	
Extraordinary gains	33	117,167	9	117,210	966	118,176	(116,723)	1,453	
Extraordinary losses	179,763	78,001	5,529	263,294	5,885	269,180	(7,923)	261,257	
Impairment losses	2,357	34,949	—	37,307	—	37,307	—	37,307	
Provision for reserve for price fluctuations	158,253	22,605	1,681	182,540	—	182,540	—	182,540	
Taxes	123,378	234,785	902	359,066	6,025	365,092	(32,173)	332,918	
Investments in affiliated companies	—	887	—	887	—	887	—	887	
Increase in tangible fixed assets and intangible fixed assets	\$ 309,761	\$ 158,990	\$ 15,599	\$ 484,351	\$ 16,110	\$ 500,461	\$ (161,376)	\$ 339,084	

Note 1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

- (1) The downward adjustment of ¥28,376 million (\$251,831 thousand) to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥26,902 million (\$238,754 thousand) of ordinary revenues which is included in ordinary expenses of the consolidated statement of operation as provision for policy reserves.
- (2) The downward adjustment of ¥17,647 million (\$156,614 thousand) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.
- (3) The downward adjustment of ¥842,055 million (\$7,472,982 thousand) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.
- (4) The downward adjustment of ¥82,443 million (\$731,661 thousand) to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

Year ended March 31, 2015	Reportable segments						Adjustments	¥ millions
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		Amount on consolidated financial statements
Ordinary revenues	¥1,060,084	¥ 980,700	¥ 382,110	¥ 2,422,896	¥ 28,298	¥ 2,451,195	¥ (39,029)	¥ 2,412,165
Intergroup transfers	1,062	351	—	1,414	48,492	49,906	(49,906)	—
Total	1,061,146	981,052	382,110	2,424,310	76,790	2,501,101	(88,935)	2,412,165
Segment income (loss)	67,606	97,464	22,457	187,528	28,333	215,861	(26,918)	188,943
Segment assets	7,217,901	5,977,975	1,387,624	14,583,500	901,070	15,484,571	(819,865)	14,664,705
Segment liabilities	6,658,543	5,297,596	1,319,425	13,275,565	113,837	13,389,402	(69,647)	13,319,755
Others								
Depreciation of real estate for rent	2,285	2,891	—	5,176	—	5,176	—	5,176
Depreciation	5,808	3,910	47	9,766	730	10,497	(191)	10,305
Provision for (reversal of) policy reserve	281,957	229,805	(29,349)	482,413	193	482,607	—	482,607
Provision for (reversal of) reserve for policy holder dividends	18,093	14,462	(0)	32,555	—	32,555	—	32,555
Interest, dividends and income from real estate for rent	151,768	130,291	7,184	289,243	26,880	316,124	(28,158)	287,966
Interest expenses	1,813	19	2	1,835	29	1,865	(24)	1,841
Equity in net income of affiliated companies	—	—	—	—	—	—	38	38
Extraordinary gains	170	—	—	170	61	231	(5)	225
Extraordinary losses	5,419	2,653	174	8,247	83	8,331	—	8,331
Impairment losses	1,995	—	—	1,995	—	1,995	—	1,995
Provision for reserve for price fluctuations	2,747	2,263	139	5,150	—	5,150	—	5,150
Taxes	16,309	29,168	7,636	53,114	727	53,842	60	53,903
Investments in affiliated companies	—	100	—	100	—	100	—	100
Increase in tangible fixed assets and intangible fixed assets	¥ 15,990	¥ 7,399	¥ 407	¥ 23,797	¥ 269	¥ 24,067	¥ (119)	¥ 23,948

Note 1. Ordinary revenues, instead of net sales, are presented here.

2. Adjustments are as follows:

- (1) The downward adjustment of ¥39,029 million to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥29,349 million and gains from derivatives, net of ¥6,151 million of ordinary revenues which is included in ordinary expenses in the consolidated statement of operation as provision for policy reserves and losses from derivatives, net, respectively.
- (2) The downward adjustment of ¥26,918 million to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.
- (3) The downward adjustment of ¥819,865 million to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.
- (4) The downward adjustment of ¥69,647 million to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

[Related information]

For the year ended March 31, 2016

1. Information by product and service

Sales to external customers

Year ended March 31, 2016	¥ millions				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥657,185	¥748,914	¥165,436	¥2,969	¥1,574,506
Insurance premiums	656,909	747,740	165,300	2,969	1,572,919
Individual insurance and individual annuities	508,608	675,827	165,129	—	1,349,565
Group insurance	32,589	26,523	—	—	59,113
Group annuities	114,370	44,392	147	—	158,910
Others	1,341	996	23	2,969	5,330
Ceded reinsurance recoveries	¥ 276	¥ 1,174	¥ 135	¥ —	¥ 1,586

Year ended March 31, 2016	US\$ thousands				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	\$5,832,317	\$6,646,386	\$1,468,198	\$26,350	\$13,973,252
Insurance premiums	5,829,867	6,635,962	1,466,992	26,350	13,959,173
Individual insurance and individual annuities	4,513,738	5,997,760	1,465,474	—	11,976,973
Group insurance	289,222	235,387	—	—	524,609
Group annuities	1,015,002	393,971	1,308	—	1,410,281
Others	11,904	8,843	210	26,350	47,308
Ceded reinsurance recoveries	\$ 2,449	\$ 10,424	\$ 1,205	\$ —	\$ 14,078

Note: Income from insurance premiums instead of net sales is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) in the consolidated statement of operation.

For the year ended March 31, 2015

1. Information by product and service

Sales to external customers

Year ended March 31, 2015	¥ millions				
	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥865,232	¥792,715	¥297,755	¥2,352	¥1,958,055
Insurance premiums	864,995	791,738	297,664	2,352	1,956,751
Individual insurance and individual annuities	708,776	718,944	297,485	—	1,725,206
Group insurance	32,762	27,370	—	—	60,132
Group annuities	122,115	44,454	154	—	166,724
Others	1,340	969	24	2,352	4,687
Ceded reinsurance recoveries	¥ 236	¥ 977	¥ 90	¥ —	¥ 1,304

Note: Income from insurance premiums, instead of net sales, is presented here.

2. Information by geographic area

(1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

(2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) in the consolidated statement of operation.

[Information on impairment losses on fixed assets by reportable segment]

For the years ended March 31, 2016 and 2015

Information on impairment losses on fixed assets by reportable segment is disclosed in "Segment information."

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the years ended March 31, 2016 and 2015

Not applicable.

[Information on gains on negative goodwill by reportable segment]

For the years ended March 31, 2016 and 2015

Not applicable.

Note 31 Per Share Information

		¥	US\$
Years ended March 31,	2016	2015	2016
Net assets per share	¥1,865.94	¥2,018.12	\$16.55
Net income per share	111.00	141.35	0.98
Net income per share (fully diluted)	109.32	141.18	0.97

A summary of the net income per share and the net income per share (fully diluted) computations is as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2016	2015	2016
Net income per share:			
Profit attributable to owners of parent	¥72,547	¥94,215	\$643,833
Amount not attributable to common stockholders	—	—	—
Profit attributable to owners of parent pertaining to common stock	¥72,547	¥94,215	\$643,833

		Shares
Weighted-average number of common stocks outstanding	653,556,609	666,540,650

		¥ millions	US\$ thousands
Years ended March 31,	2016	2015	2016
Net income per share (fully diluted):			
Adjusted net income attributable to owners of parent	¥(16)	¥—	\$(148)
Amortization of bond premium (after tax)	¥(16)	¥—	\$(148)

		Shares
Increase in common stock	9,884,916	795,192
Convertible bond	9,094,039	—
Subscription rights to shares	790,877	795,192
Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect	—	—

A summary of the net assets per share computations is as follows:

		¥ millions	US\$ thousands
As of March 31,	2016	2015	2016
Net assets	¥1,214,061	¥1,344,950	\$10,774,422
Deduction from net assets	3,521	3,211	31,253
Subscription rights to shares	926	746	8,221
Non-controlling interests	2,595	2,465	23,031
Net assets available to common stockholders	¥1,210,540	¥1,341,738	\$10,743,169

		Shares
The number of common stock outstanding	648,756,978	664,847,265

Note 32 Subsequent Events

(1) Acquisition of treasury stock

The Company has resolved at its board of directors meeting held on May 13, 2016, the acquisition of treasury stock under the provision Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

a. Reasons for acquisition of treasury stock

To enhance shareholder return and improve capital efficiency.

b. Details of acquisition

- (i) Type of shares to be acquired: Shares of common stock
- (ii) Number of shares to be acquired: Up to 16,000,000 shares
- (iii) Total amount of acquisition: Up to ¥14,000 million (\$124,245 thousand)
- (iv) Period of acquisition: From May 16, 2016 to July 15, 2016
- (v) Method of acquisition: Open-market repurchase by the trust method

c. Results of acquisition

- (i) Total number of acquired shares: 13,525,600 shares
- (ii) Total cost of acquisition: ¥13,999 million (\$124,245 thousand)
- (iii) Period of acquisition: From May 19, 2016 to June 16, 2016, on the basis of execution date

Independent Auditor's Report



Ernst & Young ShinNihon LLC
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Independent Auditor's Report

The Board of Directors
T&D Holdings, Inc.

We have audited the accompanying consolidated financial statements of T&D Holdings, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of T&D Holdings, Inc. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 28, 2016

Glossary

A

Additional policy reserve	An additional policy reserve provisioned to supplement the ordinary policy reserve in a case when the insurance company recognizes a risk that future payment may not be fulfilled.
Administrative expense margin	The administrative expense margin is the difference between the administrative expenses related to the relevant policy assumed by a company with respect to a given year in calculating premiums and the actual administrative expenses for that year.
ALM (Asset Liability Management)	ALM is a risk management method for managing the overall structure of assets and liabilities of a company. With insurance companies in particular, it is essential that assets and liabilities be managed in consideration of the special characteristics of super long-term liabilities that insurance policies represent.
Annualized premiums	An adjusted figure for premiums paid using monthly, annual, or lump-sum payment methods showing total premiums paid on an annual basis.
Assumed business expense rate	One of the forecast rates used in the calculation of insurance premiums. It is the rate used to include business expenses necessary for administering insurance policies.
Assumed investment yield	One of the forecast rates used in the calculation of insurance premiums. It is the predetermined discount rate based on the expected earnings from the investment of insurance premiums.

C

Contingency reserve	<p>A reserve included as part of the policy reserve to account for the risk of insurance payment events occurring at a higher-than-expected rate due to higher-than-expected mortality and morbidity rates, and the risk of actual investment yields being lower than the assumed investment yields related to outstanding policies. Contingency reserve can be classified into:</p> <p>Contingency reserve I Corresponds to insurance risk Contingency reserve II Corresponds to assumed investment yield risk Contingency reserve III Corresponds to minimum guarantee risk relating to variable annuity and others Contingency reserve IV Corresponds to insurance risk of Third Sector insurance</p>
Core profit	An indicator showing core period earnings of life insurance companies, made up of insurance income and expenses (which include income from insurance premiums and insurance benefits and business expenses), and investment income and expenses (which include mainly interest, dividends and income from real estate for rent). It is not an item on the Company's statement of operation, but is calculated by deducting capital gains, such as gains (losses) on sales of securities and other one-time gains (losses), from ordinary profit.

E

ERM (Enterprise Risk Management)	A strategic management method used to achieve managerial goals such as raising corporate value and maximizing earnings, through the integrated management of profit, risk and capital.
ESR (Economic Solvency Ratio)	An indicator of capital adequacy based on economic value, calculated by dividing the surplus by economic capital. An ESR of 100% means that capital and risk are equal. The higher the ESR, the greater the amount of capital relative to risk. Although ESR is widely used mainly in Europe, there is no standardized calculation method. Each life insurance company calculates ESR individually based on its internal models.

G

General account	The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by a company to meet fixed guaranteed rates of return for policyholders, and that company bears the investment risk on such assets.
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I	
Investment yield margin	The difference, with respect to a given year, between the actual investment yield for that year and the guaranteed rate of return used in calculating premiums.

M	
Morbidity rate	The relative incidence of disability due to disease or physical impairment.
Mortality rate	Rates of death, varying by such parameters as age, gender, and health, used in pricing and computing liabilities for future policyholder benefits for life insurance and annuity products.
Mortality rate margin	The difference between the mortality rate assumed by a company with respect to a given year in calculating premiums and the actual mortality rate for that year.

N	
Negative spread	<p>Negative spread = (Investment yield on core profit – Average assumed investment yield) x Policy reserve in general account</p> <ul style="list-style-type: none"> • “Investment yield on core profit” is calculated by dividing the numerator as investment revenues and expenses (investment profit in general account) included in core profit less the amount of provision for accumulated interest due to policyholders by the denominator as policy reserve in general reserve in general account. • “Average assumed investment yield” is calculated by dividing the numerator as assumed interest (general account only) by the denominator as policy reserve in general account. • “Policy reserve in general account” represents the earned policy reserve calculated for policy reserve in general account less the contingency reserve by the Hardy method as follows: $(\text{Policy reserve at beginning of fiscal year} + \text{Policy reserve at the end of fiscal year} - \text{Assumed interest}) \times 1/2$

Net level premium method	A method for setting aside policy reserves. Using this method, policy reserves are calculated assuming a constant amount of business expenses each time a premium is paid over the term of the policy. Generally speaking, the bulk of the business expenses of life insurance companies are incurred in the first fiscal year of a contract such as for the payment of remuneration to sales representatives and agencies, costs related to issuing insurance certificates, and commissions for medical examinations to doctors. In this sense, the net level premium method is a sounder way of setting aside reserves.
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Non-participating policy	Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating or semi-participating policies.
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P	
Participating policy	Policies under which the policyholder is eligible to share in the divisible surplus of a company—calculated based on the mortality rate margin, investment yield margin, and administrative expense margin—through the receipt of annual policyholder dividends.

Policy reserve	A reserve established for the fulfillment of insurance claims and other payments related to a company's outstanding policies that are expected to be paid in the future. The policy reserve consists of a premium reserve (other than unearned premiums), an unearned premium reserve, a repayment reserve, and a contingency reserve. A company uses the net level premium method to calculate the amount it sets aside each year as a policy reserve. The policy reserve is one of the three reserves comprising the reserve for policy and other reserves.
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R

Reserve for outstanding claims	A reserve for liable claims such as insurance claims, other payments, and benefits that remained outstanding as of the balance sheet date. The reserve includes amounts that are not yet claimed but the insurer is deemed to be liable.
Reserve for policyholder dividends	A reserve used to fund the payment of policyholder dividends. The reserve for policyholder dividends is one of the three reserves comprising the reserve for policy and other reserves. For a mutual life insurance company, a transfer to reserve for policyholder dividends is treated as a disposition of net surplus. For a joint stock corporation, provision for reserve for policyholder dividends is treated as an expense.
Reserve for price fluctuations	Pursuant to provisions of the Insurance Business Act, companies maintain reserves to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stocks, bonds, and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets.

S

Semi-participating policy	Policies under which a company does not distribute yearly policyholder dividends to its policyholders, but instead distributes a portion of the net positive return on investments in excess of the guaranteed rate of return as calculated at the end of every five-year period. Semi-participating policies generally feature lower premiums than participating policies and higher premiums than non-participating policies.
Separate account	Assets related to a company's individual variable insurance and group variable annuity products, including group employee pension fund insurance and national pension fund insurance, are allocated to the company's separate account. Separate account assets and liabilities represent funds that are administered and invested in by the company to meet specific investment objectives of policyholders. The investments in each separate account are maintained separately from those in other separate accounts and an insurer's general account and are generally not subject to the general liabilities of the insurer. The investment results of the separate account assets generally pass through to the separate account policyholders, less management fees, so that an insurer bears limited or no investment risk on such assets.
Solvency margin ratio	A risk indicator calculated as the total solvency margin (including net assets, the reserve for price fluctuations, contingency reserve, reserve for possible loan losses, etc.) divided by 1/2 of total risk, which includes such factors as insurance risk due to a major earthquake or other disaster, investment risk, and various other risks. If a life insurance company's solvency margin ratio falls below 200%, the regulatory authorities will require management to introduce corrective measures to quickly return the company to soundness.
Standard yield rate	A rate which is required by the supervisory authorities to be applied in calculating the "standard policy reserve (a policy reserve required to be set aside from the standpoint of ensuring the business soundness of life insurance companies and protecting policyholders)".
Surrender and lapse amount	The total amount of money reimbursed on the surrender or lapse of insurance policies in a given fiscal year. Surrender occurs when policyholders choose to discontinue their policies. Lapse occurs when the deadline for payment of premiums that are in arrears is exceeded.

T

Term life insurance	A life insurance policy where payments are made only if the person insured dies during the term of the insurance policy. In general, term life insurance provides no, or only a small amount of, surrender value. However, for term life insurance taken out for longer periods, surrender value can be accumulated based on the number of years that the policy has been held (cash-value type of term life insurance).
Third sector insurance	In the Japanese insurance industry, life insurance products and non-life insurance products are called "First Sector" and "Second Sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products are called "Third Sector" insurance products. Examples include medical care, cancer, accident, and nursing care insurance.

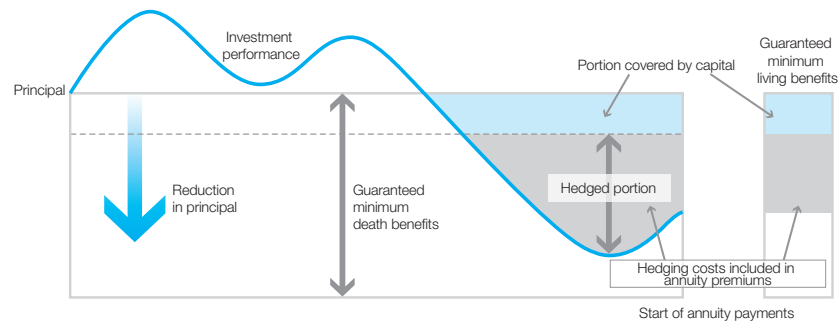
V

Variable annuity

An annuity in which the return to the holder is variable, rather than fixed, and reflects the results of investments made in the company's separate accounts.

Among variable annuity products, there are products that offer guaranteed minimum death benefits or guaranteed minimum living benefits. Generally, the life insurance company bears the risks of these minimum guarantees. However, at T&D Financial Life, the company adopts a scheme using put options to reduce loss in the event of a drop in the market. Under this scheme, hedging costs are included in the insurance premium as a risk guarantee cost. Also, since it is less economical to use a full hedge, the critical portion of the risk is hedged while the remainder is covered with the company's capital.

Illustration of risk management using hedging



Z

Zillmer method

A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the pure insurance premium portion used in the calculation of policy reserves is reduced during the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in reserve provisions is gradually adjusted to eliminate the difference between the net level premium method and the Zillmer method over a predetermined term of, for example, 5 or 10 years.

History

 TAIYO-LIFE

 DAIDO LIFE

- 1893 **May 1893**
Taiyo Life founded as the Nagoya Life Insurance Co., Ltd.

- 1902

- 1940s **February 1948**
Established the Taiyo Mutual Life Insurance Company

- July 1902**
Daido Life Insurance Company founded as a joint stock company through the merger of Asahi Life Insurance Co., Gokoku Life Insurance Co., and Hokkai Life Insurance Co.

- July 1947**
Established Daido Life as a mutual company

T&D T&D Life Group

Life Insurance Industry Developments

- 1999 **Jan.** Taiyo Life and Daido Life announced a broad business alliance
- Jun.** The group name "T&D Life Group" was announced
- Oct.** Launched T&D Taiyo Daido Asset Management Co., Ltd. through a merger of domestic investment advisory companies
- Launched T&D Confirm, Ltd. by integrating policy confirmation operations



- 2000

- 2001 **Oct.** T&D Financial Life Insurance Company joined the Group and began operations
- Launched T&D Information Systems, Ltd. by integrating Group system divisions



- 2002 **Apr.** Demutualized Daido Life to a joint stock company and listed its shares on the Tokyo Stock Exchange and Osaka Securities Exchange (now Osaka Exchange, Inc.)
- Jul.** Launched T&D Asset Management Co., Ltd. through a merger of T&D Taiyo Daido Asset Management Co., Ltd. and Daido Life Investment Trust Management Co., Ltd.
- Aug.** Launched T&D Taiyo Daido Lease Co., Ltd. by integrating Group leasing businesses



- 2003 **Apr.** Demutualized Taiyo Life to a joint stock company and listed its shares on the Tokyo Stock Exchange



- 2004 **Apr.** Established T&D Holdings, Inc. and listed on the Tokyo Stock Exchange and Osaka Securities Exchange (now Osaka Exchange, Inc.) (Taiyo Life, Daido Life, and T&D Financial Life became wholly owned subsidiaries of T&D Holdings, Inc.)



- Dec.** Daido Life won the prestigious Porter Prize

- 2005 **Sep.** Internal reorganization of the Group in-house sales representative channel at T&D Financial Life

- Jun.** The Financial Supervisory Agency announced the Inspection Manual for Insurance Companies

- Jul.** Restrictions on selling Third Sector products lifted at all domestic insurance companies

- Oct.** Broadened the scope of products that can be sold at banks (individual annuities, etc.)

- Jul.** Revised Insurance Business Act enacted (lowered assumed investment yields before insolvency)

- Aug.** The Financial Services Agency eliminated business guidelines and announced the Comprehensive Regulatory Policies with Respect to Insurance Companies

- Dec.** Broadened the scope of products that can be sold at banks (single premium whole life insurance, single premium endowment insurance, etc.)

2006 **Mar.** T&D Holdings conducted an issuance of new shares and a secondary offering of shares of common stock of the Company
 T&D Financial Life raised ¥32 billion in capital
Jul. Head offices of four Group companies (T&D Holdings, Taiyo Life, Daido Life, and T&D Financial Life) and T&D Asset Management relocated and consolidated



2007 **Jan.** Acquired Japan Family Insurance Planning, Inc. (now Pet & Family Small-amount Short-term Insurance Company) as a subsidiary
Mar. Acquired T&D Asset Management as a direct subsidiary

2008 **Dec.** T&D Financial Life raised ¥40 billion in capital

2009 **Mar.** T&D Holdings conducted an issuance of new shares and a secondary offering of shares of common stock of the Company
 Taiyo Life raised ¥50 billion in capital
 Daido Life raised ¥70 billion in capital
Dec. T&D Holdings conducted an issuance of new shares and a secondary offering of shares of common stock of the Company

2010

2011 **Apr.** Taiyo Life opened the New York Representative Office
Apr. Daido Life started agency operations for AIU Insurance Company (currently AIU Insurance Company, Ltd.). Concurrently, AIU Insurance Company started agency operations for Daido Life
Oct. T&D Holdings conducted a 2-for-1 stock split of common stock

2012 **Mar.** Taiyo Life commenced paperless and cashless contract procedures
Apr. Taiyo Life opened the Yangon Representative Office in Myanmar

2013 **Apr.** Full-scale introduction of ERM (integrated risk management)
May Disclosure of MCEV (market-consistent embedded value)
Sep. Daido Life formed a business partnership with American Family Life Assurance Company of Columbus (Aflac) to sell cancer policies as part of the employment benefit packages of member companies of the National Federation of Corporate Taxpayers Associations (NFCTA, known as *Hojinkai*)
Dec. Daido Life invested in NÜRNBERGER Beteiligungs-Aktiengesellschaft (NÜRNBERGER), a publicly listed German insurance group, and entered into a cooperation agreement with NÜRNBERGER

2014 **Jun.** Start of Taiyo Life's "Best Senior Service (BSS)"

2015 **Mar.** Start of mutual supply and sales (cross-selling) of the products of Taiyo Life and Daido Life
Nov. T&D Asset Management relocated
Dec. Head offices of three Group companies (T&D Holdings, Taiyo Life and Daido Life) relocated

2016 **Jan.** Head office of T&D Financial Life relocated and consolidated

Apr. Insurance Business Act revisions introduced the small-amount short-term insurance provider system

Oct. Japan Post Insurance Co., Ltd. created from post office privatization
Dec. Full deregulation of OTC sales at banks

Apr. Entered full-time Internet life insurance business

Apr. Insurance Act enacted

Mar. New standards for the solvency margin ratio and the consolidated solvency margin ratio were introduced through amendments to the Ordinance for Enforcement of the Insurance Business Act, etc.

May Revision of the Insurance Business Act

Nov. Japan Post Insurance listed its shares on the Tokyo Stock Exchange

IR Activities

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

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

EARNINGS ANNOUNCEMENT CALENDAR

November 11, 2016 Announcement of 2Q financial results for the year ending March 31, 2017

* Planned as of September 2016 and may change.

NUMBER OF IR MEETINGS

	Times
	Fiscal 2015
Financial results meetings for institutional investors and analysts	2
Financial results telephone conferences for institutional investors and analysts	4
Conferences sponsored by securities firms	5
One-on-one meetings	308
Information meetings for individual investors and sales persons at securities firms	9



▲ Scenes from an IR meeting for institutional investors and analysts



IR POLICY

1. Purpose of IR Activities

The Company strives to promote investor relations (IR) activities based on the core principles of timeliness, fairness, and accuracy, with the aim of garnering the trust of and proper evaluation from investors and securities analysts.

2. Individuals and Department Responsible for IR Activities

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

The IR department handles all inquiries from investors and securities analysts concerning the Company’s IR activities.

3. IR Information

The Company strives to clearly and continuously provide information on the T&D Life Group’s business environment and management strategies, financial condition, and performance to investors and analysts.

Specifically, in addition to statutory and mandatory reporting requirements (including financial statements, “YUHO Report,” earnings releases, “Tanshin Report,” and other timely information), T&D Holdings also provides the following IR-related information.

- Materials for IR events (conferences, financial results meetings, IR fairs, etc.) for investors and analysts

- Annual reports and other IR-related booklets/publications

The IR information described above is available on T&D Holdings’ website, including an IR site, as appropriate.

4. Feedback to Management

Useful information gathered from investors through IR activities is fed back to management such as to the Board of Directors, and Executive Committee through regular reporting.

5. Silent Period

In order to ensure fairness and prevent the unauthorized disclosure of financial information, the Company maintains a “Silent Period” in its IR activities for ten (10) days prior to the announcement of quarterly financial results. During this period, T&D Holdings refrains from commenting on financial results, and, in principle, from participating in IR events and IR meetings.

6. Formulation of IR Activity Plans and Verification

The Company formulates a work plan for IR activities at the beginning of each fiscal year, and activities are verified every quarter.

Verification of IR activities is done by considering neutral indicators such as objective figures and third-party evaluations, and results are reflected in, and used to enhance and improve, future IR activities.

Stock Information

As of March 31, 2016

BASIC INFORMATION

Stock Exchange Listings	Tokyo Stock Exchange
Industry and Security Code	Insurance, 8795
Trading Unit	100 shares
Number of Shares of Common Stock	Authorized: 1,932,000,000 Issued: 681,480,000
Fiscal Year-End	March 31 every year
Ordinary General Meeting of Shareholders	June every year
Date of Record	Ordinary General Meeting of Shareholders March 31 every year Dividends March 31 every year (interim dividend, when paid, on September 30)
Public Notice	<ul style="list-style-type: none"> • Electronic public notice (Japanese only) • URL: http://www.td-holdings.co.jp/public/ • If the Company is unable to issue an electronic public notice due to an accident or any other unavoidable reason, a public notice will be issued in the <i>Nihon Keizai Shimbun</i> (daily newspaper).
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan URL: http://www.tr.mufg.jp/english/
Number of Shareholders	246,434

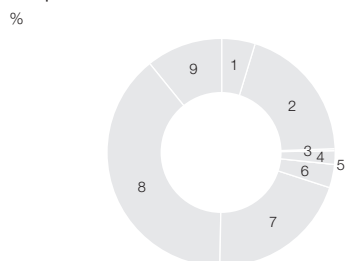
PRINCIPAL SHAREHOLDERS

Name of Shareholders	Number of Shares Held	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account)	24,702	3.62
The Master Trust Bank of Japan Ltd. (Trust Account)	22,349	3.28
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,650	3.03
THE BANK OF NEW YORK MELLON, SA/NV 10	14,162	2.08
Japan Trustee Services Bank, Ltd. (Trust Account 9)	12,641	1.86
STATE STREET BANK AND TRUST COMPANY 505225	9,329	1.37
Japan Trustee Services Bank, Ltd. (Trust Account 7)	8,869	1.30
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	8,859	1.30
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	8,703	1.28
STATE STREET BANK WEST CLIENT-TREATY 505234	8,344	1.22

Note: In addition to the above, the Company holds 32,723 thousand shares [4.80%] in treasury.

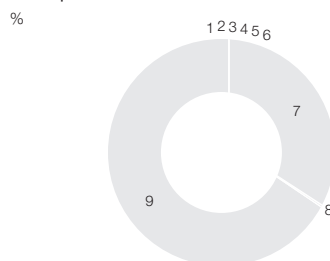
COMPOSITION OF SHAREHOLDERS AND SHARES

Proportion of Shares Held



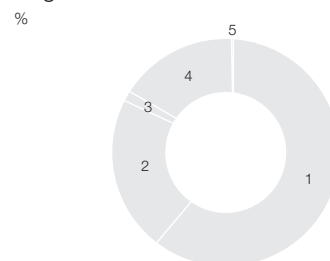
1 Banks	4.90
2 Trust Banks	19.63
3 Life Insurance Companies	0.40
4 Non-life Insurance Companies	1.80
5 Other Financial Institutions	0.02
6 Financial Instruments Firms	3.31
7 Other Corporations	20.46
8 Foreign Corporations and Other Foreign Investors	38.80
9 Individuals and Others	10.69

Composition of Shareholders



1 Banks	0.01
2 Trust Banks	0.01
3 Life Insurance Companies	0.01
4 Non-life Insurance Companies	0.00
5 Other Financial Institutions	0.00
6 Financial Instruments Firms	0.02
7 Other Corporations	34.15
8 Foreign Corporations and Other Foreign Investors	0.25
9 Individuals and Others	65.55

Regional Distribution of Shares Held



1 Japan	61.20
2 Europe (including British Overseas Territories), the Middle East and Africa	20.88
3 Asia-Pacific	1.53
4 U.S.	16.21
5 Foreigners and Foreign Companies in Japan	0.19

Group Companies

As of March 31, 2016

The T&D Life Group comprised the holding company, 15 consolidated subsidiaries, and 2 affiliated companies as of March 31, 2016.

Centered on the life insurance business, the T&D Life Group's operations are outlined below:

T&D Holdings, Inc.	Insurance & Insurance-related Businesses <7 companies>	Insurance <ul style="list-style-type: none"> ■ Taiyo Life Insurance Company (Life insurance business) ■ Daido Life Insurance Company (Life insurance business) ■ T&D Financial Life Insurance Company (Life insurance business) ■ Pet & Family Small-amount Short-term Insurance Company (Small-amount short-term insurance business) Insurance-related <ul style="list-style-type: none"> ■ T&D Confirm Ltd. (Policyholder confirmation services) ■ Toyo Insurance Agency Co., Ltd. (Insurance agent) ■ Daido Management Service Co., Ltd. (Insurance agent)
	Investment-related Businesses <6 companies>	Investment Management and Advisory <ul style="list-style-type: none"> ■ T&D Asset Management Co., Ltd. (Investment advisory and investment trust services) Other Investment-related <ul style="list-style-type: none"> ■ T&D Lease Co., Ltd. (Leasing) ■ Taiyo Credit Guarantee Co., Ltd. (Credit guarantee services) ● Alternative Investment Capital, Ltd. (Investment in private equity funds) Other subsidiaries and affiliated companies: 2 companies
	Administration-related Businesses <4 companies>	Administration-related <ul style="list-style-type: none"> ■ T&D Customer Services Co., Ltd. (Life insurance policy clerical services, including drafting, amendment, custody and distribution of documents, and delivery of securities) General Affairs and Calculation-related <ul style="list-style-type: none"> ■ T&D Information Systems, Ltd. (Computer software and system services) ■ Nihon System Shuno, Inc. (Premium collection) ■ Zenkoku Business Center Co., Ltd. (Premium collection)

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

Corporate Data

As of March 31, 2016

Company Name	T&D Holdings, Inc.
Date of Establishment	April 1, 2004
Location of Headquarters	7-1, Nihonbashi 2-Chome, Chuo-ku, Tokyo 103-6031, Japan Tel: +81 3 3272-6110 Fax: +81 3 3272-6552
Type of Business	Management control of life insurance subsidiaries, under the Insurance Business Act of Japan and other laws and regulations, and other businesses associated with the above
Paid-in Capital	¥207,111.86 million
Number of Employees	93
Independent Auditors	Ernst & Young ShinNihon LLC
Contact	T&D Holdings, Inc., Group Planning Department, Investor Relations Division Tel: +81 3 3272-6103 Fax: +81 3 3272-6552
URL	http://www.td-holdings.co.jp/en/

ACCESS MAP



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



Investor Relations

ANNUAL REPORT 2016 (Integrated Edition)
WEBSITE GUIDE



T&D Holdings' latest Annual Report 2016 (Integrated Edition) can be viewed on our website.

T&D Holdings, Inc.

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