Management's Discussion and Analysis

Operating Results

1. RESULTS OF OPERATIONS

In fiscal 2016, the Japanese economy continued to recover gradually against the backdrop of the effects of various economic measures and monetary policies where personal consumption showed steady growth amid continuing improvements in the employment and income environment, and corporate earnings trending at high levels.

In the life insurance industry, the sales of third-sector products such as medical and nursing care were steady whereas moves to suppress the sales of products such as yen-denominated single-premium insurance products were seen due to the continuing low interest rate environment. Regarding the asset management environment, domestic stocks were sluggish in the first half of the fiscal year due to the rise in uncertainties in the overseas situation and economic trend such as a temporary plunge in June 2016, following the result of the British referendum on exiting the European Union. In the second half of the fiscal year, domestic stocks turned to an upward trend due to expectations for the U.S. economy expansion in response to the results of the U.S. presidential election in November 2016. Domestic interest rates declined in both short-term and long-term rates where certain maturities went to a negative level and ultra-long-term interest rates also fell significantly. The extreme decline in ultra-long-term interest rates was corrected to a certain degree after the Bank of Japan's decision in September to introduce quantitative and qualitative monetary easing policy with yield curve control.

Under these business conditions, the performance of T&D Holdings, Inc. (the "Company") for the year ended March 31, 2017 was as follows:

Ordinary revenues decreased ¥50.1 billion from the previous fiscal year to ¥1,975.7 billion (down 2.5% year on year), which were the total of income from insurance premiums of ¥1,505.2 billion (down 4.4%), investment income of ¥402.7 billion (up 6.1%), other ordinary income of ¥67.8 billion (down 5.3%) and others.

Ordinary expenses decreased ¥35.9 billion from the previous fiscal year to ¥1,818.5 billion (down 1.9%), which were the total of insurance claims and other payments of ¥1,160.3 billion (down 10.9%), provision for policy and other reserves of ¥259.1 billion (up 33.3%), investment expenses of ¥130.2 billion (up 68.1%), operating expenses of ¥197.6 billion (down 0.7%) and other ordinary expenses of ¥71.1 billion (down 11.8%).

As a result, ordinary profit decreased 8.3% from the previous fiscal year to ¥157.2 billion. Extraordinary gains increased 83.2% to ¥0.3 billion and extraordinary losses increased 20.1% to ¥35.3 billion.

After accounting for extraordinary gains and losses, provision for reserve for policyholder dividends and total income taxes, profit attributable to owners of parent increased ¥2.6 billion from the previous fiscal year to ¥75.1 billion (up 3.6%).

Comprehensive income was negative ¥69.5 billion (a decrease of ¥84.4 billion) which was a total of profit of ¥75.3 billion (up 3.6%) and total other comprehensive income of negative ¥144.9 billion (negative ¥157.2 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 ¥1,505.2 billion (down 4.4% year on year), consisting of ¥1,322.7 billion in premiums for individual insurance and individual annuities (down 2.0%), ¥58.0 billion for group insurance (down 1.7%), and ¥114.6 billion for group annuities (down 27.8%), and others.

At Taiyo Life, income from insurance premiums was ¥654.3 billion, a decrease of ¥2.8 billion (down 0.4%) from the previous fiscal year, mainly due to a decrease in premiums from group annuities.

At Daido Life, income from insurance premiums was ¥766.3 billion, an increase of ¥17.4 billion (up 2.3%) from the previous fiscal year, mainly due to an increase in premiums from individual insurance.

At T&D Financial Life, income from insurance premiums was ¥80.9 billion, a decrease of ¥84.5 billion (down 51.1%) from the previous fiscal year, mainly due to a decrease in single-premiums from individual insurance.

b) Investment Income

Investment income totaled ¥402.7 billion (up 6.1% year on year). This was mainly due to an increase of ¥33.6 billion in gains on sales of securities and ¥5.4 billion in gains on separate accounts, net despite the decrease in interest, dividends and income from real estate for rent of ¥276.6 billion (down 4.8%).

At Taiyo Life, investment income was ¥228.0 billion, an increase of ¥25.1 billion (up 12.4%) from the previous fiscal year. This was mainly due to an increase of ¥34.8 billion in gains on sales of securities.

At Daido Life, investment income was ¥154.0 billion, a decrease of ¥11.0 billion (down 6.7%) from the previous fiscal year. This was mainly due to a decrease of ¥4.2 billion in interest, dividends and income from real estate for rent, ¥3.1 billion in gains on redemption of securities and ¥3.0 billion in gains on sales of securities.

At T&D Financial Life, investment income was ¥23.0 billion, an increase of ¥8.8 billion (up 61.9%) from the previous fiscal year. This was mainly due to an increase of ¥4.4 billion in gains on separate accounts, net.

Investment Income

¥ billions

Year ended March 31	Consolidated 2017	Consolidated Increase (decrease) YoY	Taiyo Life 2017	Taiyo Life Increase (decrease) YoY	Daido Life 2017	Daido Life Increase (decrease) YoY	T&D Financial Life 2017	T&D Financial Life Increase (decrease) YoY
Interest, dividends and income from real estate for rent	¥276.6	¥(14.0)	¥138.1	¥ (9.9)	¥132.3	¥ (4.2)	¥ 7.5	¥ 0.1
Gains from monetary trusts, net	5.6	0.4	—	—	—	—	5.6	0.4
Gains on sales of securities	111.0	33.6	89.2	34.8	18.2	(3.0)	3.5	1.9
Gains on redemption of securities	—	(3.1)	—	—	—	(3.1)	—	—
Gains from derivatives, net	—	—	—	—	—	—	0.7	0.7
Foreign exchange gains, net	1.2	0.4	0.3	0.1	—	(1.7)	1.1	1.1
Reversal of reserve for possible loan losses	0.2	0.1	0.0	0.0	0.1	0.0	—	(0.0)
Other investment income	2.3	0.1	0.1	0.0	2.3	0.0	0.0	0.0
Gains on separate accounts, net	5.4	5.4	0.0	0.0	1.0	1.0	4.4	4.4
Total investment income	¥402.7	¥ 23.0	¥228.0	¥25.1	¥154.0	¥(11.0)	¥23.0	¥ 8.8

(2) Ordinary Expenses

a) Insurance Claims and Other Payments

Insurance claims and other payments totaled ¥1,160.3 billion (down 10.9% year on year). This consisted mainly of ¥349.0 billion in insurance claims (down 7.3%), ¥300.9 billion in annuity payments (down 13.9%), ¥152.7 billion in insurance benefits (down 6.8%), ¥307.8 billion in surrender payments (down 9.9%), and ¥49.8 billion in other payments (down 30.5%).

At Taiyo Life, insurance claims and other payments were ¥535.3 billion, a decrease of ¥68.8 billion (down 11.4%) from the previous fiscal year. This was mainly due to a decrease in policy proceeds from group annuities.

At Daido Life, insurance claims and other payments were ¥484.8 billion, a decrease of ¥18.0 billion (down 3.6%) from the previous fiscal year. This was mainly due to a decrease in policy proceeds from group annuities.

At T&D Financial Life, insurance claims and other payments were ¥138.3 billion, a decrease of ¥56.0 billion (down 28.8%) from the previous fiscal year. This was mainly due to a decrease in annuity payments.

b) Investment Expenses

Investment expenses totaled ¥130.2 billion (up 68.1% year on year). This consisted mainly of ¥57.7 billion in losses on sales of securities (up 252.9%), ¥49.7 billion in losses from derivatives, net (up 124.1%), and ¥15.9 billion in other investment expenses (up 2.6%).

At Taiyo Life, investment expenses were ¥83.1 billion, an increase of ¥46.5 billion (up 127.4%) from the previous fiscal year. This was mainly due to an increase of ¥30.0 billion in losses on sales of securities and ¥17.2 billion in losses from derivatives, net.

At Daido Life, investment expenses were ¥48.2 billion, an increase of ¥13.8 billion (up 40.1%) from the previous fiscal year. This was mainly due to an increase of ¥12.5 billion in losses from derivatives, net.

At T&D Financial Life, investment expenses totaled ¥0.2 billion, a decrease of ¥7.7 billion (down 97.3%) from the previous fiscal year. This was mainly due to a decrease of ¥5.0 billion in losses on separate accounts, net.

(3) Ordinary Profit

Ordinary profit was ¥157.2 billion (down 8.3% year on year).

Taiyo Life recorded ordinary profit of ¥66.6 billion, a decrease of ¥12.4 billion (down 15.8%). This was mainly due to an increase in losses from derivatives, net.

Daido Life recorded ordinary profit of ¥82.6 billion, a decrease of ¥7.6 billion (down 8.4%). This was mainly due to an increase in losses from derivatives, net.

T&D Financial Life recorded ordinary profit of ¥6.1 billion, an increase of ¥4.9 billion (up 411.3%).

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

(4) Extraordinary Gains/Losses

Total extraordinary gains were ¥0.3 billion (up 83.2% year on year), mainly due to ¥0.2 billion in gains on disposal of fixed assets (—%).

Total extraordinary losses were ¥35.3 billion (up 20.1%), mainly due to a provision for reserve for price fluctuations of ¥29.1 billion (up 41.6%) and impairment losses of ¥4.7 billion (up 13.7%).

Taiyo Life posted extraordinary gains of ¥0.2 billion (—%) and extraordinary losses of ¥19.2 billion (down 5.1%).

Daido Life posted extraordinary losses of ¥12.4 billion (up 41.7%).

T&D Financial Life posted extraordinary losses of ¥3.6 billion (up 479.8%).

Investment Expenses

¥ billions

Year ended March 31	Consolidated 2017	Consolidated Increase (decrease) YoY	Taiyo Life 2017	Taiyo Life Increase (decrease) YoY	Daido Life 2017	Daido Life Increase (decrease) YoY	T&D Financial Life 2017	T&D Financial Life Increase (decrease) YoY
Interest expenses	¥ 0.5	¥ (0.3)	¥ 0.5	¥ (0.3)	¥ 0.0	¥ (0.0)	¥0.0	¥(0.0)
Losses on investments in trading securities, net	0.5	(7.2)	—	—	0.5	(7.2)	—	—
Losses on sales of securities	57.7	41.3	39.9	30.0	17.6	11.1	0.1	0.1
Devaluation losses on securities	0.8	(3.2)	—	—	0.8	(3.2)	—	—
Losses from derivatives, net	49.7	27.5	37.0	17.2	13.3	12.5	—	(1.5)
Foreign exchange losses, net	—	—	—	—	0.2	0.2	—	(1.1)
Provision for reserve for possible loan losses	—	—	—	—	—	—	0.0	0.0
Write-off of loans	0.0	(0.0)	—	—	—	—	—	—
Depreciation of real estate for rent	4.8	(0.0)	2.4	0.1	2.4	(0.1)	—	—
Other investment expenses	15.9	0.3	3.1	(0.5)	13.0	0.9	0.1	(0.0)
Losses on separate accounts, net	—	(5.5)	—	(0.0)	—	(0.4)	—	(5.0)
Total investment expenses	¥130.2	¥52.8	¥83.1	¥46.5	¥48.2	¥13.8	¥0.2	¥(7.7)

(5) Profit Attributable to Owners of Parent

As a result of the foregoing, profit attributable to owners of parent was ¥75.1 billion, an increase of ¥2.6 billion (up 3.6% year on year).

Taiyo Life recorded net income of ¥28.9 billion, an increase of ¥2.1 billion (up 7.9%).

Daido Life recorded net income of ¥43.1 billion, a decrease of ¥11.3 billion (down 20.9%).

T&D Financial Life recorded net income of ¥2.1 billion, an increase of ¥1.6 billion (up 335.1%).

(Reference)

Premiums

¥ millions

Years ended March 31	Three Companies 2016	Three Companies 2017	Taiyo Life 2017	Taiyo Life Increase (decrease) YoY (%)	Daido Life 2017	Daido Life Increase (decrease) YoY (%)	T&D Financial Life 2017	T&D Financial Life Increase (decrease) YoY (%)
Individual insurance	¥1,138,247	¥1,222,279	¥475,837	44.7	¥668,410	3.6	¥78,030	(52.6)
Individual annuities	211,318	100,465	69,289	(61.5)	30,603	(0.6)	572	(11.0)
Group insurance	59,113	58,096	32,808	0.7	25,288	(4.7)	—	—
Group annuities	158,910	114,681	74,846	(34.6)	39,702	(10.6)	133	(9.5)
Others	2,361	2,319	1,307	(2.6)	989	(0.7)	22	(5.5)
Total	¥1,569,950	¥1,497,841	¥654,088	(0.4)	¥764,993	2.3	¥78,759	(52.4)

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

Insurance Claims

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥301,331	¥298,544	¥133,971	1.6	¥132,037	(4.9)	¥32,535	6.1
Individual annuities	951	901	879	(7.1)	22	382.2	—	—
Group insurance	28,919	27,788	15,041	(4.0)	12,746	(3.7)	0	(95.7)
Group annuities	43,662	19,863	19,863	(54.5)	—	—	—	—
Others	165	208	0	3.5	196	27.7	11	0.8
Total	¥375,031	¥347,307	¥169,756	(11.6)	¥145,003	(4.8)	¥32,547	6.1

Annuity Payments

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥ 51	¥ 43	¥ —	—	¥ 43	(15.5)	¥ —	—
Individual annuities	316,191	267,887	167,119	(0.8)	41,580	8.2	59,186	(45.8)
Group insurance	507	476	380	(5.5)	86	(7.8)	9	(17.9)
Group annuities	32,376	32,279	23,158	1.9	8,960	(5.3)	160	(9.5)
Others	259	254	87	0.2	139	(3.4)	27	(1.1)
Total	¥349,387	¥300,940	¥190,745	(0.5)	¥50,810	5.5	¥59,385	(45.8)

Insurance Benefits

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥ 53,298	¥51,566	¥37,953	(2.6)	¥12,521	(3.8)	¥1,091	(18.1)
Individual annuities	22,594	20,298	10,871	13.9	6,828	(15.3)	2,598	(47.9)
Group insurance	199	143	36	8.2	107	(35.4)	—	—
Group annuities	87,517	80,522	26,886	(8.3)	53,465	(7.8)	170	(21.4)
Others	201	182	151	(0.6)	24	(49.5)	6	—
Total	¥163,812	¥152,715	¥75,899	(2.7)	¥72,948	(8.0)	¥3,867	(40.9)

Surrender Payments

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥255,946	¥259,938	¥32,976	(14.4)	¥196,207	1.0	¥30,753	33.0
Individual annuities	57,107	44,833	28,610	(1.9)	9,139	(7.9)	7,082	(60.7)
Group insurance	38	9	9	(76.5)	—	—	—	—
Group annuities	27,993	2,456	2,177	(92.1)	254	(23.8)	25	(87.7)
Others	471	573	329	31.0	236	9.4	8	116.6
Total	¥341,557	¥307,811	¥64,103	(32.8)	¥205,837	0.5	¥37,870	(8.4)

Other Payments

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥13,684	¥12,836	¥ 8,417	(13.1)	¥4,320	15.9	¥ 98	(63.3)
Individual annuities	30,224	28,508	24,112	0.4	289	(14.2)	4,107	(30.0)
Group insurance	0	0	—	—	0	—	—	—
Group annuities	24,724	4,887	1,718	(86.5)	3,162	(73.6)	6	(20.4)
Others	197	222	45	10.9	176	12.6	—	—
Total	¥68,831	¥46,454	¥34,292	(26.2)	¥7,949	(51.0)	¥4,212	(31.4)

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, 2017, were ¥14,891.1 billion (up 1.5% from the previous fiscal year-end).

This mainly comprised securities centered on domestic public and corporate bonds of ¥11,001.9 billion (up 4.9%), loans of ¥1,685.1 billion (down 4.7%), cash and deposits of ¥862.4 billion (down 15.8%), monetary trusts of ¥583.4 billion (up 10.9%), and tangible fixed assets of ¥319.8 billion (up 1.4%).

Total liabilities were ¥13,794.3 billion (up 2.5%), mostly comprising policy reserves of ¥13,139.2 billion (up 1.9%).

Total net assets were ¥1,096.7 billion (down 9.7%). Within total net assets, valuation difference on available-for-sale securities were ¥338.8 billion (down 30.5%).

3. ANALYSIS OF CONSOLIDATED CASH FLOWS

Net cash provided by operating activities was ¥343.7 billion, a ¥34.3 billion increase in cash inflow compared with the previous fiscal year.

Net cash used in investing activities was ¥534.5 billion, a ¥515.9 billion increase in cash outflow compared with the previous fiscal year.

Net cash used in financing activities was ¥48.9 billion, a ¥15.2 billion decrease in cash outflow compared with the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2017 amounted to ¥885.2 billion, a decrease of ¥239.6 billion from the beginning of the fiscal year (¥1,124.9 billion as of March 31, 2016).

4. ANALYSIS OF SALES RESULTS (NON-CONSOLIDATED)

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

In fiscal 2016, total new policy amount of individual insurance and individual annuities (including net increase from conversions, same hereafter) was ¥6,506.4 billion (up 10.3% year on year).

Meanwhile, surrender and lapse amount of individual insurance and individual annuities was ¥3,684.9 billion (up 0.3% year on year).

As a result, policy amount in force of individual insurance and individual annuities as of March 31, 2017, totaled ¥61,446.2 billion (up 1.4% from the previous fiscal year-end).

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

(1) Taiyo Life

New policy amount of individual insurance and individual annuities for fiscal 2016 was ¥2,084.8 billion (down 2.3% year on year).

Meanwhile, surrender and lapse amount of individual insurance and individual annuities was ¥1,255.8 billion (down 0.0% year on year).

As a result, as of March 31, 2017, total policy amount in force of individual insurance and individual annuities was ¥21,741.1 billion, a decrease of ¥242.3 billion (down 1.1%) from ¥21,983.5 billion at the previous fiscal year-end.

As of March 31, 2017, total policy amount in force of group insurance was ¥9,948.1 billion (up 0.6% from the previous fiscal year-end).

As of March 31, 2017, total policy amount in force of group annuities (policy reserve, same hereafter) was ¥882.5 billion (up 1.1% from the previous fiscal year-end).

(2) Daido Life

New policy amount of individual insurance and individual annuities for fiscal 2016 was ¥4,186.2 billion (up 18.6% year on year).

Meanwhile, surrender and lapse amount of individual insurance and individual annuities was ¥2,372.7 billion (up 0.6% year on year).

As a result, as of March 31, 2017, total policy amount in force of individual insurance and individual annuities was ¥37,825.6 billion, an increase of ¥1,035.5 billion (up 2.8%) from ¥36,790.0 billion at the previous fiscal year-end.

As of March 31, 2017, total policy amount in force of group insurance was ¥6,819.2 billion (down 2.5% from the previous fiscal year-end).

As of March 31, 2017, total policy amount in force of group annuities was ¥733.3 billion (down 3.2% from the previous fiscal year-end).

(3) T&D Financial Life

New policy amount of individual insurance and individual annuities for fiscal 2016 was ¥235.4 billion (down 0.3% year on year).

Meanwhile, surrender and lapse amount of individual insurance and individual annuities was ¥56.3 billion (down 8.4% year on year).

As a result, as of March 31, 2017, total policy amount in force of individual insurance and individual annuities was ¥1,879.3 billion, an increase of ¥70.6 billion (up 3.9%) from ¥1,808.7 billion at the previous fiscal year-end.

As of March 31, 2017, total policy amount in force of group insurance was ¥0.0 billion (down 28.4% from the previous fiscal year-end).

As of March 31, 2017, total policy amount in force of group annuities was ¥2.4 billion (down 8.3% from the previous fiscal year-end).

Policy Amount in Force

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥54,698,119	¥55,752,233	¥17,545,760	(0.7)	¥36,538,059	2.9	¥1,668,413	8.5
Individual annuities	5,884,173	5,693,978	4,195,430	(2.8)	1,287,581	(0.6)	210,966	(22.0)
Subtotal	60,582,293	61,446,212	21,741,191	(1.1)	37,825,641	2.8	1,879,380	3.9
Group insurance	16,881,504	16,767,438	9,948,119	0.6	6,819,295	(2.5)	23	(28.4)
Group annuities	1,633,297	1,618,260	882,506	1.1	733,332	(3.2)	2,422	(8.3)
Others	9,104	8,883	4,473	(2.1)	4,061	(2.4)	348	(7.0)
Total	¥79,106,199	¥79,840,795	¥32,576,290	(0.5)	¥45,382,329	1.9	¥1,882,174	3.9

Notes:

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

¥ millions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Years ended March 31	2016	2017	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)	2017	Increase (decrease) YoY (%)
Individual insurance	¥5,657,453	¥6,359,541	¥1,984,466	2.8	¥4,139,625	18.6	¥235,449	(0.3)
Individual annuities	241,910	146,956	100,352	(50.7)	46,603	21.4	—	—
Subtotal	5,899,364	6,506,497	2,084,818	(2.3)	4,186,228	18.6	235,449	(0.3)
Group insurance	30,727	14,769	10,982	(49.0)	3,786	(58.8)	—	—
Group annuities	3	2,200	2,199	—	0	399.9	—	—
Others	14	6	1	(5.4)	2	(73.1)	2	(4.3)
Total	¥5,930,110	¥6,523,473	¥2,098,002	(2.7)	¥4,190,018	18.4	¥235,451	(0.3)

Notes:

1. Individual insurance and individual annuities include net increase from conversions.
2. Amounts for individual annuities are annuity resources at the start of annuities.
3. Amounts for group annuities represent the first insurance premiums.
4. "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.

5. MARKET CONSISTENT EMBEDDED VALUE (MCEV)

(1) Outline of MCEV

Embedded Value ("EV") is the sum of the "adjusted net worth" calculated from the balance sheet and the "value of in-force business" derived from all existing policies, which is deemed to be attributable to shareholders. EV is one of the indicators for evaluating the corporate value of life insurance companies in Europe.

In the current financial accounting for life insurance companies, there is a time lag between the acquisition of new policies and the realization of accounting-based profits. On the other hand, EV recognizes future profit contribution at the time of the acquisition of new policies which is considered to complement the financial information based on financial accounting.

The Group discloses EV ("MCEV") based on the "European Insurance CFO Forum Market Consistent Embedded Value Principles" (Note) ("the MCEV Principles") announced by the CFO Forum, a group consisting of Chief Financial Officers from leading European insurance companies.

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(2) MCEV and Group MCEV

The embedded value on an MCEV basis as of March 31, 2017 was ¥2,262.4 billion, an increase of ¥395.1 billion from the value as of March 31, 2016, which was primarily related to the contribution of new business, the improvement of non-economic assumptions, and higher domestic interest rates. The value of in-force business increased due to the contribution of new business, the improvement of non-economic assumptions, and higher domestic interest rates while the adjusted net worth decreased due to the resulting decrease in the market value of domestic and foreign bonds.

The value of new business was ¥119.5 billion, an increase of ¥63.1 billion, which was primarily due to the good performance of new business sales, the improvement of non-economic assumptions, and higher domestic interest rates.

MCEV and Group MCEV

¥ billions

	March 31, 2016	March 31, 2017
Group MCEV	¥1,893.7	¥2,290.5
Covered business MCEV (Note 1)	1,867.2	2,262.4
Net asset value of non-covered business (Note 2)	26.4	28.1

Notes:
1. Covered business includes all life insurance business of the Group.
2. Net asset value of non-covered business is the net asset value of business other than the life insurance business of the Group based on accounting standards.

Breakdown of Covered Business MCEV

¥ billions

	March 31, 2016	March 31, 2017
MCEV	¥1,867.2	¥2,262.4
Adjusted net worth	2,220.2	1,966.2
Value of in-force business	(353.0)	296.2
Value of new business (Note)	56.3	119.5

Note: Value of new business is the value as at the valuation date of the new business issued in the fiscal year ended on the date shown.

(3) MCEV by Company

¥ billions

		March 31, 2016	March 31, 2017
Taiyo Life	MCEV	¥ 725.7	¥ 777.5
	Adjusted net worth	1,010.3	847.7
	Value of in-force business	(284.6)	(70.2)
	Value of new business	18.1	44.2
Daido Life	MCEV	1,078.0	1,417.4
	Adjusted net worth	1,058.1	994.8
	Value of in-force business	19.9	422.6
	Value of new business	34.6	74.3
T&D Financial Life	MCEV	93.4	97.4
	Adjusted net worth	181.7	153.6
	Value of in-force business	(88.2)	(56.1)
	Value of new business	3.5	0.9

(4) Third Party Opinion

The Group requested a third-party institution (actuarial firm) to review its MCEV and Group MCEV, and obtained its opinion.

6. OTHER IMPORTANT MATTERS

In fiscal 2016, the total of core profit and positive spread of the three life insurance companies were ¥159.9 billion (up 4.5% year on year) and ¥29.8 billion (down 25.8%), respectively.

As of March 31, 2017, consolidated solvency margin ratio was 1,105.1% (1,155.8% as of March 31, 2016) and the value of consolidated adjusted net assets was ¥2,592.5 billion (¥2,927.6 billion as of March 31, 2016).

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

(1) Taiyo Life

In fiscal 2016, core profit was ¥53.4 billion (down 0.6%) and positive spread was ¥7.7 billion (down 39.6%).

Solvency margin ratio was 848.6% as of March 31, 2017 (890.6% as of March 31, 2016) and the value of adjusted net assets was ¥1,035.4 billion as of March 31, 2017 (¥1,251.2 billion as of March 31, 2016).

(2) Daido Life

In fiscal 2016, core profit was ¥105.6 billion (up 0.8%) and positive spread was ¥25.0 billion (down 18.2%).

Solvency margin ratio was 1,252.6% as of March 31, 2017 (1,341.9% as of March 31, 2016) and the value of adjusted net assets was ¥1,354.4 billion as of March 31, 2017 (¥1,436.1 billion as of March 31, 2016).

(3) T&D Financial Life

In fiscal 2016, core profit was ¥0.8 billion (negative ¥5.5 in the previous fiscal year) and negative spread was ¥2.9 billion (down 7.5%). Further, provision for policy reserve related to market exchange rate fluctuation of ¥2.3 billion was deducted from core profit for the fiscal year 2016. If core profit for the fiscal year 2015 were calculated on a fiscal 2016 basis, the amount would have been negative ¥10.7 billion.

Solvency margin ratio was 1,295.6% as of March 31, 2017 (1,260.7% as of March 31, 2016) and the value of adjusted net assets was ¥188.0 billion as of March 31, 2017 (¥228.3 billion as of March 31, 2016).

Corporate Data

Core Profit

¥ billions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Year ended March 31	2017	Increase (decrease) YoY	2017	Increase (decrease) YoY	2017	Increase (decrease) YoY	2017	Increase (decrease) YoY
Ordinary profit A	¥155.5	¥(15.1)	¥66.6	¥(12.4)	¥ 82.6	¥ (7.6)	¥6.1	¥ 4.9
Capital gains (losses) B	(1.2)	(29.0)	12.6	(12.3)	(15.8)	(20.0)	1.9	3.4
One-time gains (losses) C	(3.2)	7.0	0.5	0.2	(7.1)	11.6	3.3	(4.8)
Core profit A–B–C	159.9	6.8	53.4	(0.3)	105.6	0.8	0.8	6.3

Positive Spread

¥ billions

	Three Companies		Taiyo Life		Daido Life		T&D Financial Life	
Year ended March 31	2017	Increase (decrease) YoY	2017	Increase (decrease) YoY	2017	Increase (decrease) YoY	2017	Increase (decrease) YoY
Positive spread (Negative value indicates negative spread)	¥ 29.8	¥(10.3)	¥ 7.7	¥ (5.0)	¥ 25.0	¥ (5.5)	¥ (2.9)	¥ 0.2
Yield on investment income included in core profit (%)	—	—	2.14	(0.18)	2.33	(0.22)	1.25	0.06
Average assumed investment yield (during the fiscal year) (%)	—	—	2.02	(0.09)	1.85	(0.09)	1.51	0.03
General account (accrued) policy reserve	12,468.7	312.8	6,176.8	71.9	5,167.3	191.9	1,124.6	49.0

Notes:
1. Positive spread is calculated according to the following formula.
   Positive spread = (Yield on investment income included in core profit – Average assumed investment yield (during the fiscal year)) x General account (accrued) policy reserve
2. “Investment yield on core profit” is investment income included in core profit (investment income (loss) on general account assets), excluding the amount of interest portion of reserve for policyholder dividends, divided by the general account (accrued) policy reserve.
3. “Average assumed investment yield (during the fiscal year)” is the assumed investment yield on general account assets divided by the general account (accrued) policy reserve.
4. “General account (accrued) policy reserve” is the general account policy reserve, excluding the contingency reserve, and is an accrued policy reserve calculated as follows:
   General account (accrued) policy reserve = (Policy reserve at the beginning of the relevant fiscal year + Policy reserve at the end of the relevant fiscal year – Assumed investment yield) x 1/2

Adjusted Net Assets

¥ billions

Year ended March 31	Three Companies 2017	Three Companies Increase (decrease) YoY	Taiyo Life 2017	Taiyo Life Increase (decrease) YoY	Daido Life 2017	Daido Life Increase (decrease) YoY	T&D Financial Life 2017	T&D Financial Life Increase (decrease) YoY
Adjusted net assets	¥2,592.5	¥(335.1)	¥1,035.4	¥(215.7)	¥1,354.4	¥(81.6)	¥188.0	¥(40.3)

Solvency Margin Ratio

¥ millions

Years ended March 31		Consolidated[1] 2016	Consolidated[1] 2017	Taiyo Life[2] 2016	Taiyo Life[2] 2017	Daido Life[2] 2016	Daido Life[2] 2017	T&D Financial Life[2] 2016	T&D Financial Life[2] 2017
Total solvency margin	(A)	¥2,102,712	¥1,999,244	¥848,814	¥735,786	¥1,122,632	¥1,123,822	¥94,448	¥91,209
Capital stock, etc.[3]		759,218	787,352	261,221	260,182	408,408	421,568	67,886	70,027
Reserve for price fluctuations		175,759	204,894	95,199	113,221	79,655	90,465	903	1,207
Contingency reserve		152,903	152,181	68,517	67,937	65,809	68,845	18,576	15,398
Catastrophe loss reserve		—	—	—	—	—	—	—	—
General reserve for possible loan losses		1,482	1,288	1,210	1,100	65	57	0	0
Valuation difference on available-for-sale securities (before tax) and deferred gains (losses) on hedging instruments (before tax) (x 90 percent, if gains; x 100 percent, if losses)		590,290	408,941	304,878	168,551	282,137	239,044	2,966	1,092
Net unrealized gains (losses) on land (x 85 per cent., if gains; x 100 per cent., if losses)		16,802	36,974	(22,309)	(7,591)	24,520	32,176	—	—
The total amount of unrecognized actuarial gains and losses and unrecognized past service costs (prior to tax effect deduction)		—	—	—	—	—	—	—	—
Excess amount of policy reserve based on Zillmer method		196,715	203,107	27,574	25,745	165,026	171,996	4,114	5,365
Unallotted portion of reserve for policyholder dividends		16,891	11,250	9,546	4,068	7,344	7,182	—	—
Deferred tax assets		142,638	145,057	52,974	52,570	89,663	92,486	—	—
Subordinated debt		50,000	50,000	50,000	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]		305	412	—	—	—	—	—	—
Deductible items		(294)	(2,215)	—	—	—	—	—	(1,883)
Total risk $[\{(R_1^2+R_5^2)^{1/2}+R_8+R_9\}^2+(R_2+R_3+R_7)^2]^{1/2}+R_4+R_6$	(B)	363,834	361,801	190,614	173,403	167,308	179,434	14,983	14,079
Insurance risk	R_1	46,671	46,349	25,939	25,043	24,074	24,458	741	752
General insurance risk	R_5	—	—	—	—	—	—	—	—
Catastrophe risk	R_6	—	—	—	—	—	—	—	—
Third sector insurance risk	R_8	14,363	15,371	9,717	10,238	4,488	4,969	157	163
Insurance risk of small-amount short-term insurance company	R_9	492	604	—	—	—	—	—	—
Assumed investment yield risk	R_2	67,926	64,437	41,219	38,872	24,344	23,107	2,362	2,458
Minimum guarantee risk[5]	R_7	3,084	1,645	17	17	755	629	2,312	997
Investment risk	R_3	279,224	281,974	141,563	126,779	135,903	149,164	9,818	10,156
Business risk	R_4	8,235	8,207	4,369	4,019	3,791	4,046	461	435
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		1,155.8%	1,105.1%	890.6%	848.6%	1,341.9%	1,252.6%	1,260.7%	1,295.6%

Notes:

1. The above ratios are calculated in accordance with the Articles 210.11.3 and 210.11.4 of the Ordinance for Enforcement of the Insurance Business Act as well as the Notification No. 23 issued by the Financial Services Agency in 2011.
2. The above ratios are calculated in accordance with the Articles 86, 87 of the Ordinance for Enforcement of the Insurance Business Act as well as Announcement No. 50 issued by the Ministry of Finance in 1996.
3. "Capital stock, etc." represents net assets on the balance sheet less total accumulated other comprehensive income and estimated appropriation paid in cash.
4. "Margin of small-amount short-term insurance company" represents catastrophe loss reserve of small-amount short-term insurance company.
5. "Minimum guarantee risk R_7" is calculated using the standardized method regulated by the FSA.

Business Risks and Other Risks

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

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

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

1. RISKS AS A HOLDING COMPANY

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

The Group is focused on the life insurance business and is heavily reliant on the earnings of its three life insurance companies. Therefore, if the business circumstances of any of the three life insurance companies change, and/or the roles or positions of any of the three life insurance companies change, the Group's earnings and financial condition could be adversely affected.

(2) Risk Related to Dividend Income

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

(3) Risk Related to Expanding Scope of Operations

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

(4) Risk Related to Regulatory Changes

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

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 Group adversely.

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

(2) Risks Related to the Life Insurance Business

1) Life Insurance Business

The Group's main business is life insurance business. The three life insurance companies underwrite life insurance based on life insurance business licenses. Risks particular to the three life insurance companies are as shown below. The materialization of these risks could affect the business results or financial position of the Company and the Group adversely.

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

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

a. Licenses

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

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

b. Restrictions on Business Scope

The regulations of the Insurance Business Act prohibit life insurance companies from conducting business in fields other than those that the Insurance Business Act and certain other laws and statutory regulations stipulate. Taking into account the highly public nature of the insurance business, this prohibition seeks to prevent deteriorations in the assets of life insurance companies due to failures in businesses other than the insurance business, prevent the allocation of premium income to compensate for deficits of other businesses, and ensure insurance companies dedicate their efforts to the insurance business and thereby realize efficient, sound business management.

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

c. Regulation and Oversight under the Insurance Business Act

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

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

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

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

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

d. Solvency Margin Ratio

The term solvency margin indicates a "surplus financial payment capability" that covers exposure to unforeseeable risk, such as major earthquakes or stock market crashes. Life insurance companies have policy reserves to ensure the payment of future insurance claims within the scope of regular, foreseeable risks. However, solvency margin protects against risk that exceeds normal circumstances. A solvency margin ratio is calculated as the total amount of solvency margin (equity, reserve for price 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 "6. Other Important Matters" on pages 81–82)

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

(For details on adjusted net assets, please refer to "6. Other Important Matters" on pages 81–82.)

(2) Asset Management Regulations for Life Insurance Companies
a. Characteristics of Life Insurance Companies' Liabilities and Capital
For life insurance companies, borrowed capital which is centered on policy reserves, accounts for a much larger portion of capital than equity capital, which comprises capital, retained earnings, and others. Borrowed capital mainly comprises policy reserves, which include a policy reserve, a reserve for policyholder dividends, and a reserve for outstanding claims in which the policy reserve accounts for the majority of policy reserves. Such life insurance funds have four characteristics: (1) they are long-term, (2) they are policyholders' financial assets in trust, (3) they seek profitability, and (4) they are highly public in nature.

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

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

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

The general account controls financial assets that are derived from premiums received from policyholders based on their policies. In each of these policies, insurance companies guarantee policyholders the payment of specific assumed investment yields. The general account controls financial assets other than those controlled in the separate account mentioned below.
ii) Asset management of the separate account
The purpose of the separate account is to return investment gains directly to policyholders. Insurance companies manage this account separately from their other financial assets in the general account.

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

(3) Income and Expenditure Structure of the Life Insurance Business
a. Characteristics of Life Insurance Accounting
Life insurance companies' income mainly comprises premiums, income from interest and dividends, and gains on sales of securities. On the other hand, their expenditure mainly comprises the payment of insurance claims, annuities, and insurance benefits as well as investment expenses such as losses on sales of securities, and operating expenses that include expenses for policy maintenance and solicitation.

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

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

Basic calculation rates	Details
Assumed mortality rate	Based on statistics on past trends, life insurance companies project the number of deaths by gender, age, etc., and calculate the premiums required to pay future insurance claims. The mortality rate that companies use for this calculation is called the assumed mortality rate.
Assumed investment yield	Insurance companies project a certain investment yield from asset management and discount this from premiums. The rate of this discount is called the assumed investment yield.
Assumed business expense rate	Insurance companies project expenses required for business operations and include this in premiums. Rates set in accordance with the characteristics of each type of expense are called the assumed business expense rate.

ii) Policy reserve

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

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

iii) The structure of policyholder dividends

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

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

b. Profits and Losses of Life Insurance Companies

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

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

c. Breakdown of Ordinary Profit (Core Profit)

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

(For details on core profit or loss, please refer to "6. Other Important Matters" on pages 81–82.)

d. Negative Spread

Life insurance companies calculate the premiums policyholders pay by discounting the profits expected from investments using a rate called the assumed investment yield (For an explanation of the structure of the premium, please see the aforementioned "a. Characteristics of Life Insurance Accounting, i) structure of the premium"). Therefore, insurance companies need to secure investment income equivalent to the amount they discount each year (assumed interest). However, life insurance companies may be unable to generate enough investment income to cover assumed interest and be in a situation of so called "negative spreads." The occurrence of negative spreads or an increase in negative spreads in the future, due to a change in financial conditions, could affect the business results or financial position of the Group adversely.

(For details on the status of yield on investment income, etc., and average assumed investment yield of the Group, please refer to "6. Other Important Matters" on pages 81–82)

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

The Life Insurance Policyholders Protection Corporation of Japan ("LIPPCJ") was established in December 1998 based on the Insurance Business Act to increase policyholder protection in the event of a life insurance company filing for bankruptcy. All life insurance companies conducting business in Japan, including the Japanese branches of foreign insurance companies, are members. As a system to mutually assist policyholders, etc., in the event that a life insurer files for bankruptcy, the LIPPCJ provides financial assistance for transferring life insurance policies of a failed insurer, manages the succeeding life insurance company, underwrites life insurance policies, offers financial assistance connected with payments of compensation insurance, and purchases insurance claims, among other activities. The financial assistance provided by the LIPPCJ to a failed insurer is furnished by contributions from members. However, until the end of March 31, 2022, the government may provide the LIPPCJ with additional funds if a life insurance company bankruptcy occurs and the funds needed to cover policyholders are in excess of the funds contributed by members. Members have been making annual contributions for the bankruptcy procedures to date in accordance with standards specified in the LIPPCJ's Articles of Incorporation, which is recorded as operating expense in the contributed fiscal year.

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

(5) Deferred Tax Assets

Based on generally accepted accounting principles and practices in Japan, for each taxable entity the Group recognizes the amounts that are expected to mitigate future tax burden as deferred tax assets, net of deferred tax liabilities, in the balance sheet. Since the recognition of deferred tax assets is based on various assumptions, including estimates of future taxable income, actual taxable income could differ from these assumptions. Further, a change in accounting standards or a change in the Group's estimate of future taxable income could lead the Group to conclude that the recovery of all or some of its deferred tax assets is difficult. In such a case, the Group could reduce the amount of deferred tax assets that it recognizes. In the event that the statutory effective tax rate is reduced due to an amendment of the corporate tax code, the amount of deferred tax assets that the Group recognizes will be reduced. As a result, this may adversely affect the business results or financial position of the Group.

2) Competition

(1) Life Insurance Companies

a. Competing Life Insurance Companies

As of March 31, 2017, including the Group's three life insurance companies, there were 41 life insurance companies in Japan which have received a Life Insurance Business License or a Foreign Life Insurance Business License. All of these insurance companies are in a competitive relationship with the Group with respect to the solicitation and maintenance of life insurance policies. Intensification of this competition could adversely affect the business results or financial position of the Group.

b. Trends in the Life Insurance Industry

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

(2) Competitive Relationships in Life Insurance Businesses

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

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

In businesses where there is a competitive relationship with other companies, any decline in the competitiveness of the three life insurance companies could adversely affect the Group's earnings and financial condition.

(3) The Group's Business Policy

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

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

a. Taiyo Life

i) Market

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

Removal of the regulation of member policies* would enable insurance companies' insurance agent subsidiaries to sell life insurance products to their executives and personnel. As a result, the worksite market would see a shift in sales channel from sales representatives channel to sales agent channel. This could reduce the number of sales contacts for the sales representatives of other life insurance companies which center on promoting sales in the worksite market. These companies could enter and focus on the household market which would result in fiercer competition in the household market. Such developments could adversely affect the business results or financial position of the company.

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

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

ii) Sales system

Taiyo Life sells life insurance products mainly through sales representatives. As of March 31, 2017, the company had 8,902 sales representatives. Sales representatives accounted for approximately 87% of the company's new policy amount (individual insurance and individual annuities) for fiscal 2016. A significant reduction in the number of sales representatives would lower the sales capabilities of the company, which could affect its business results or financial position adversely.

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

iii) Increase in sales of comprehensive life insurance

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

In the individual household market, a customer group which is aging rapidly, the proportion of the company's main customer base—women, middle-aged/elderly—are expected to remain at a high level. Therefore, the company should be able to maintain its competitive advantage in this market.

However, if contrary to expectations the company is unable to maintain a competitive advantage in the individual household market, or experiences a sales slump because competitive superiority is less than expected, its business results or financial position could be adversely affected.

b. Daido Life

i) Market

Daido Life conducts sales activities focused on the SME market. Regarding the breakdown of the new policy amount*1 for fiscal 2016, policies from the SME related organizations*2 accounted for 95.5% and other policies accounted for 4.5%. SMEs are particularly susceptible to changes in the business climate. Therefore, a decrease in new policies or an increase in surrender rates due to a deterioration in business results or an increase in bankruptcies among SMEs, which are the company's mainstay customers, could adversely affect the its business results or financial position.

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

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

ii) Sales of partner-specific products

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

iii) Sales system

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

• In-house sales representative channel

The company's in-house sales representatives sell products mainly to companies that are members of NFCTA and TPA. As of March 31, 2017, the company had 3,843 in-house sales representatives. The company hires high-quality personnel while developing sales representatives who possess highly specialized knowledge and sales techniques. However, a significant decrease in the number of sales representatives or a fall in productivity per sales representative could adversely affect its business results or financial position.

• Agent channel

As of March 31, 2017, the company had 13,878 agents. The company continually improves the competitiveness of its products and enhances its support capabilities, including upgrading the skills of staffs who support agents. However, agents that meet certain conditions handle the products of multiple life insurance companies. The handling of further more life insurance companies by such agents or a decrease in the handling of the company's products among agents could adversely affect its business results or financial position.

iv) Products

Daido Life's main product has traditionally been individual term life insurance. As of March 31, 2017, individual term life insurance accounted for 84.8% of the company's policy amount in force*.

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

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

* The amount 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) Market

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

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

ii) Sales system

T&D Financial Life mainly sells its products through OTC sales at financial institutions and insurance shop agents. As of March 31, 2017, the company had concluded agent agreements with 137 financial institutions.

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

iii) Products

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

3) Investment Risk

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

Life insurance companies have two different types of accounts which are the general account with the separate account. Life insurance companies use the general account to make guaranteed payments to policyholders based on an assumed investment yield. Therefore, life insurance companies bear the risk of the actual investment yield falling below the assumed investment yield. On the other hand, with the separate account, investment results are directly reflected in the funds of the policyholders. Therefore, policyholders bear the investment risk.

(2) Overview of Market Risk

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

A decrease in unrealized gains or an occurrence in unrealized losses due to a decline in the fair value of stocks etc., in the Group's general account could adversely affect the Group's business results or financial position.

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

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

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

A decrease in unrealized gains or an occurrence in unrealized losses on foreign currency-denominated securities in the Group's general account due to fluctuation in the foreign currency market (yen appreciation/foreign currency depreciation) could adversely affect the Group's business results or financial position. For information on the fair value of securities (securities with fair value which are not trading securities) in the general account, please see Notes to Consolidated Financial Statements, Note 22 Securities on page 130.

(3) Overview of Credit Risk

In regard to loans, bonds and suchlike, incurring losses due to a decline in value or a complete eradication of the value of assets as a result of a deterioration of the financial positions of obligors could adversely affect the Group's business results or financial position. For information on loans to bankrupt companies, past due loans, loans overdue for three months or more, and restructured loans, please see Notes to Consolidated Financial Statements, Note 3 Loans on page 114.

(4) Overview of Real Estate Investment Risk

Regarding the real estate owned by the Group, losses incurred by a decline in revenue derived from real estate due to factors such as fluctuations in lease fees of real estate held for investment purposes, or a decline in the value of real estate itself caused by a change in market conditions could adversely affect the Group's business results or financial position. For information on the fair value of real estate held for investment purposes, please see Notes to Consolidated Financial Statements, Note 28 Real Estate for Rent on page 151.

4) Ratings

Rating agencies rate the ability of life insurance companies to pay insurance claims. A downgrade of the ratings of the Group's ability to pay insurance claims due to a deterioration of the three life insurance companies' solvency margins, earnings capabilities, or the quality of their assets—or a public announcement that an agency is considering the downgrade of the Group's rating—could lead to a decrease in new policies or a higher surrender rate. Such events could adversely affect the Group's business results or financial position.

(3) Risk Related to Other Businesses

1) Asset Management Business Risk

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

2) Risk Related to the Small-amount Short-term Insurance Businesses

The Company offers pet insurance through directly owned subsidiary Pet & Family Small-amount Short-term Insurance Company. This subsidiary's target market has growth potential going forward. However, in order to expand or support the subsidiary's business, the Company may have to make additional investments in the subsidiary or deploy other management resources. A deterioration in the subsidiary's earnings due to fiercer competition with other companies, a decrease in demand for pet insurance, or an increase in loss ratios resulting from an outbreak of an infectious disease among pets could adversely affect the Group's business results or financial position.

(4) Other Risks

1) System Risk

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

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

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

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

2) Compliance

The Group has established the T&D Life Group CSR Charter, the Group Compliance Code of Conduct, and the T&D Life Group Basic Policy of Strengthening the Compliance Structure. The Group promotes compliance by informing 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. In addition, the Company and its directly owned subsidiaries prepare compliance manuals which provide concrete explanations of the interpretation of laws and statutory regulations that personnel must comply with when conducting operations. The manuals are used as guides for personnel and as training materials. Furthermore, the Group has established the T&D Life Group Helpline as an internal reporting system, 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 executives and staffs could adversely affect the 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 the acquisition, usage/providing, storing/transferring, and disposing personal information with utmost care.

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

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

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

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

4) Catastrophe Risk

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

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

Capital Expenditures

1. OVERVIEW OF CAPITAL EXPENDITURES

There were no major capital expenditures for the year ended March 31, 2017.

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, 2017

Offices (Location)	Facility details[1]	Carrying amount (¥ millions)					Number of employees[5]
		Buildings	Land (m²)[2]	Lease assets[3]	Others[4]	Total	
Headquarters (Chuo-ku, Tokyo)	(Investments)	¥ 1,154	¥ 3,330 (142)	¥ —	¥ —	¥ 4,484	461
	(Business use)	3,689	10,431 (444)	1,480	369	15,970	—
Tokyo Computer Center (Urawa-ku, Saitama City)	(Investments)	2,105	2,012 (6,495)	—	—	4,117	190
	(Business use)	946	887 (2,863)	—	—	1,833	—
Taiyo Seimei Shinagawa Building (Minato-ku, Tokyo)	(Investments)	9,613	22,321 (4,904)	—	450	32,385	90
	(Business use)	421	978 (215)	—	19	1,419	—
Nihonbashi Building (Chuo-ku, Tokyo)	(Investments)	—	— (—)	—	11,614	11,614	—
	(Business use)	—	— (—)	—	2,179	2,179	—
Sapporo Branch (Chuo-ku, Sapporo City) and 7 other properties, etc.	(Investments)	691	642 (1,118) [58]	—	—	1,333	90
	(Business use)	1,051	635 (2,686) [278]	—	—	1,687	460
Sendai Branch (Aoba-ku, Sendai City) and 11 other properties, etc.	(Investments)	1,193	580 (2,124)	—	—	1,774	76
	(Business use)	970	413 (2,193)	—	—	1,384	544
Tokyo Branch (Chiyoda-ku, Tokyo) and 61 other properties, etc.	(Investments)	6,236	8,977 (7,893) [87]	—	—	15,213	488
	(Business use)	6,575	7,703 (15,128) [52]	—	—	14,278	2,738
Nagoya Branch (Naka-ku, Nagoya City) and 21 other properties, etc.	(Investments)	1,002	1,502 (2,810)	—	—	2,505	232
	(Business use)	2,586	2,522 (7,311) [601]	—	—	5,109	1,557
Osaka Branch (Chuo-ku, Osaka City) and 27 other properties, etc.	(Investments)	3,184	4,133 (5,889)	—	—	7,318	307
	(Business use)	4,296	3,974 (10,180)	—	—	8,271	1,601
Hiroshima Branch (Minami-ku, Hiroshima City) and 15 other properties, etc.	(Investments)	1,341	1,149 (3,301)	—	—	2,491	110
	(Business use)	1,346	1,246 (3,570)	—	—	2,592	650
Fukuoka Branch (Hakata-ku, Fukuoka City) and 15 other properties, etc.	(Investments)	2,123	3,121 (3,898)	—	—	5,245	217
	(Business use)	2,579	3,237 (5,247)	—	—	5,816	1,352
Building for rent: Nibancho Garden (Chiyoda-ku, Tokyo) and 37 other properties, etc.	(Investments)	12,812	23,933 (23,861)	—	14	36,760	—
	(Business use)	—	— (—)	—	—	—	—
Sapporo Housing (Sapporo City, Hokkaido) • Villas for employees, etc.	(Investments)	—	— (—)	—	—	—	—
	(Business use)	3,533	8,424 (60,538) [104]	—	—	11,957	—

Notes:
1. "(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. Figures enclosed in square brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥18 million for land and ¥783 million for buildings.
3. Lease assets have all been recorded in Headquarters, as the carrying amount of lease assets used at each business site is minimal.
4. "Others" comprises ¥369 million of other tangible fixed assets and ¥14,278 million of construction in progress. Other tangible fixed assets mainly consist of furniture and fixtures, and are all recorded in Headquarters, as the carrying amount of movables used at each business site is minimal.
5. In the "Number of employees" column, the upper row indicates the number of office workers, whereas the lower row indicates the number of sales representatives.

2) Daido Life Insurance Company

As of March 31, 2017

Offices (Location)	Facility details	Carrying amount (¥ millions) Buildings	Land (m²)[1]	Lease assets[2]	Others[3]	Total	Number of employees[4]
Hokkaido Marketing Headquarters (Chuo-ku, Sapporo City), Hokkaido Branch and 1 other branch	(Investments)	¥ 0	¥ 1,509 (1,789)	¥ —	¥ 107	¥ 1,617	67
	(Business use)	39	309 (366)	—	22	370	141
Tohoku Marketing Headquarters (Aoba-ku, Sendai City), Sendai Branch and 4 other branches	(Investments)	669	703 (1,329)	—	—	1,373	116
	(Business use)	220	141 (398)	—	—	362	241
Tokyo Metropolitan Area Marketing Headquarters (Chuo-ku, Tokyo), Tokyo Branch and 24 other branches	(Investments)	10,869	41,182 (9,000)	—	624	52,676	484
	(Business use)	404	215 (594)	—	—	619	861
Kanto-Shinetsu Marketing Headquarters (Omiya-ku, Saitama City), Saitama Branch and 12 other branches	(Investments)	1,243	1,373 (4,301)	—	—	2,616	257
	(Business use)	323	256 (780)	—	—	579	504
Hokuriku Marketing Headquarters (Kanazawa City, Ishikawa Prefecture), Kanazawa Branch and 3 other branches	(Investments)	828	530 (2,279) [320]	—	—	1,359	65
	(Business use)	107	69 (206) [70]	—	—	176	141
Tokai Marketing Headquarters (Nakamura-ku, Nagoya City), Nagoya Branch and 12 other branches	(Investments)	3,084	4,223 (5,412)	—	—	7,308	264
	(Business use)	738	886 (1,406)	—	—	1,625	433
Kinki Marketing Headquarters (Kita-ku, Osaka City), Osaka Branch and 16 other branches	(Investments)	8,421	8,068 (15,482) [118]	—	205	16,695	396
	(Business use)	1,389	1,088 (2,608) [27]	—	—	2,478	670
Chugoku Marketing Headquarters (Naka-ku, Hiroshima City), Hiroshima Branch and 5 other branches	(Investments)	1,223	2,411 (3,625)	—	—	3,635	117
	(Business use)	344	340 (844)	—	—	684	209
Shikoku Marketing Headquarters (Takamatsu City, Kagawa Prefecture), Shikoku Branch and 1 other branches	(Investments)	1,449	1,286 (2,919) [515]	—	—	2,735	54
	(Business use)	259	150 (510) [57]	—	—	409	119
North Kyushu Marketing Headquarters (Chuo-ku, Fukuoka City), Fukuoka Branch and 6 other branches	(Investments)	1,938	2,294 (3,614)	—	—	4,233	134
	(Business use)	605	646 (1,970)	—	—	1,252	306
South Kyushu Marketing Headquarters (Chuo-ku, Kumamoto City), Kumamoto Branch and 4 other branches	(Investments)	1,295	1,898 (3,162)	—	—	3,193	98
	(Business use)	384	513 (849)	—	—	898	218
Osaka Headquarters (Nishi-ku, Osaka City)	(Investments)	2,080	347 (676)	—	41	2,469	598
	(Business use)	5,922	988 (1,925)	—	1,196	8,106	—
Tokyo Headquarters (Chuo-ku, Tokyo)	(Investments)	896	112 (108)	—	—	1,008	629
	(Business use)	5,081	634 (614)	471	—	6,476	—
Hayama Training Center, employee housing, etc. (Miura-gun, Kanagawa Prefecture)	(Investments)	—	— (—)	—	—	—	—
	(Business use)	2,143	6,658 (25,907) [178]	—	—	8,801	—

Notes:

1. Figures enclosed in square brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥25 million for land and ¥2,229 million for buildings.
2. The carrying amounts of lease assets used at each business site are all recorded in Tokyo Headquarters.
3. "Others" comprises ¥1,237 million of movables and ¥959 million of construction in progress.
   The main movables included in "Others" consist of ¥746 million in paintings, sculptures and other works of art. Movables are all recorded in Osaka Headquarters, as the carrying amount of movables used at business sites other than Osaka Headquarters is minimal.
4. In the "Number of employees" column, the upper row indicates the number of office workers, whereas the lower row indicates the number of sales representatives.

3) T&D Financial Life Insurance Company

As of March 31, 2017

Offices (Location)	Facility details	Carrying amount (¥ millions) Buildings	Land (m^2)	Lease assets	Others	Total	Number of employees
Headquarters (Minato-ku, Tokyo) 3 Regional Sales Departments	(Business use)	¥0	¥— (—)	¥0	¥0	¥0	239

Notes:
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 regional sales departments is minimal.
2. Rent related to real estate was ¥220 million for buildings. Among rent for buildings, the rent related to Headquarters was ¥193 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, 2017 were as follows:

(1) New Facility Acquisition

As of March 31, 2017

Company	Offices (Location)	Facility details	Planned investment amount (¥ millions) Total	Paid	Funding method	Construction started	Planned completion
Taiyo Life Insurance Company	Nihonbashi Building (Chuo-ku, Tokyo)	Office building	¥46,289	¥13,793	Own fund	March 2014	February 2018
Daido Life Insurance Company	Minato-ku, Tokyo	Office building	Less than 15,000	—	Own fund	—	Fiscal 2019

Notes:
1. Consumption taxes are not included in the above amounts.
2. Some information bears confidentiality obligation to the seller which could damage the interest of investors if disclosed. Therefore, items are not disclosed (shown in “—”) except for items which are considered to incur no disadvantage by disclosure.

Other Data

1. STATUS OF STOCKHOLDINGS

(1) Taiyo Life Insurance Company — the subsidiary with the largest holding of stocks

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

Number of companies	46
Total carrying amount on the balance sheet	¥342,910 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 purpose

Specified Investment Shares

Year ended March 31, 2016

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

Regarded as Holding Shares

Not applicable.

Specified Investment Shares

Year ended March 31, 2017

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

Regarded as Holding Shares

Not applicable.

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

	Fiscal 2015 ¥ millions	Fiscal 2016 ¥ millions				
	Total carrying amount on the balance sheet	Total carrying amount on the balance sheet	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and carrying amount
Unlisted stocks	¥ 19,313	¥ 19,185	¥ 229	¥ 24	¥—	¥ 2,057
Stocks other than unlisted stocks	125,770	114,365	2,758	1,935	—	31,111

(4) Change in investment purpose during fiscal 2016

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

Stock	Number of shares	Carrying amount on the balance sheets ¥millions
NIPPON STEEL & SUMITOMO METAL CORPORATION	1,653,750	¥4,241

(2) Daido Life Insurance Company — the subsidiary with the second largest holding of stocks

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

Number of companies	193
Total carrying amount on the balance sheet	¥295,801 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 purpose

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.

Specified Investment Shares

Year ended March 31, 2017

Stock	Number of shares	Carrying amount on the balance sheet ¥ millions	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	64,168,770	¥44,898	The primary holding purpose is to reap medium- to long-term earnings through gains in stock value and the receipt of dividends. The secondary holding purpose is to maintain and strengthen business relationships.
SMC Corporation	627,300	20,650	
EZAKI GLICO CO., LTD	3,500,400	18,902	
Kansai Paint Co., Ltd.	7,607,000	17,975	
Resona Holdings, Inc.	28,590,000	17,093	
Daiwa House Industry Co., Ltd.	5,000,000	15,980	
ONO PHARMACEUTICAL CO., LTD.	6,549,500	15,093	
Astellas Pharma Inc.	9,455,500	13,861	
NURNBERGER BETEIL NPV B (REGD) (VINKULIERT)	1,552,936	12,463	
FUJI MACHINE MFG. CO., LTD.	6,684,000	9,745	
KONICA MINOLTA, INC.	9,040,518	9,004	
TKC Corporation	2,569,046	8,169	
Mitsubishi Pencil Co., Ltd.	1,172,000	6,539	
OKASAN SECURITIES GROUP INC.	8,660,000	5,880	
Electric Power Development Co., Ltd. (J-POWER)	1,993,680	5,193	
The Kansai Electric Power Company, Incorporated	3,656,550	4,998	
THE SHIZUOKA BANK, LTD.	3,824,000	3,464	
The Daishi Bank, Ltd.	7,056,000	3,111	
MEISEI INDUSTRIAL CO., LTD.	4,032,700	2,584	
TEIJIN LIMITED	1,225,000	2,571	
MOS FOOD SERVICES, INC.	790,760	2,566	
Sekisui House, Ltd.	1,400,000	2,563	
GLORY LTD.	700,000	2,555	
Sompo Holdings, Inc.	618,525	2,522	
Temp Holdings Co., Ltd.	1,200,000	2,488	
TSUKISHIMA KIKAI Co., Ltd.	2,115,700	2,485	
Mitsui Fudosan Co., Ltd.	1,000,000	2,374	
Keihan Holdings Co.,Ltd.	3,169,000	2,158	

Regarded as Holding Shares

Not applicable.

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

	Fiscal 2015 ¥ millions	Fiscal 2016 ¥ millions				
	Total carrying amount on the balance sheet	Total carrying amount on the balance sheet	Total dividends received	Total gains (losses) on sales	Valuation losses	Difference between acquisition cost and carrying amount
Unlisted stocks	¥16,769	¥10,597	¥1,259	¥ —	¥478	¥768
Stocks other than unlisted stocks	16,236	24,596	390	(1,396)	—	1,861

(3) T&D Holdings, Inc.

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

Not applicable.

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

Not applicable.

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

Not applicable.

2. BONDS ISSUED

Company	Type of instrument	Issuance date	Balance as of April 1, 2016 ¥ millions	Balance as of March 31, 2017 ¥ millions	Interest rate %	Security	Maturity date
T&D Holdings, Inc.	Zero Coupon Convertible Bonds due 2020	June 5, 2015	¥30,125	¥30,095	—	None	June 5, 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 23, 2016 to March 22, 2017	2,999	2,999 (2,999)	0.00–0.02	None	May 24, 2016 to June 22, 2017
Total	—	—	53,124	53,094 (2,999)	—	—	—

Notes:

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)	2,701.5
Total amount of the issue (million yen)	30,000
Total amount of the stock issued by the exercise of the stock acquisition right (million yen)	—
Grant rate of the stock acquisition right (%)	100
Exercise period of the stock acquisition right	From June 19, 2015 to May 22, 2020

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

2. The interest rate shown for the fourth series unsecured bonds is the annual interest rate from the following day of September 27, 2013 to September 27, 2018.
The interest rate from the following day of September 27, 2018 onward is the offered rate of LIBOR six-month yen deposit plus 2.02%.
3. Figures enclosed in brackets in the "Balance as of March 31, 2017" column are amounts of short-term debentures due within one year.
4. 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, 2016 ¥ millions	Balance as of March 31, 2017 ¥ millions	Interest rate %	Maturity date
Short-term borrowings	¥ —	¥ —	—	—
Long-term borrowings due for repayment within one year	11,252	11,838	0.53	—
Lease obligations due for repayment within one year	564	542	0.87	—
Long-term borrowings (excluding the amount due for repayment within one year)	53,800	52,765	0.79	From April 2018 to April 2027
Lease obligations (excluding the amount due for repayment within one year)	1,371	1,264	0.53	From April 2018 to January 2023
Other interest-bearing liabilities	—	—	—	—
Total	66,989	66,410	—	—

Notes:

1. The average interest rates shown are the weighted-average interest rates of the balance of borrowings as of March 31, 2017.
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	¥9,469	¥7,227	¥4,132	¥1,540
Lease obligation	431	376	293	118