

# Notes to Consolidated Financial Statements

## Note 1 Notes on Going-Concern Assumption

Not applicable.

## Note 2 Summary of Significant Accounting Policies

### (1) Basis of presentation

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

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

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

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the readers and have been made, as a matter of arithmetical computation only, at the rate of ¥112.19 = U.S.\$1, which was the approximate rate prevailing at March 31, 2017. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

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

### (2) Principles of consolidation

#### a. Matters related to the scope of consolidation

##### (i) Number of consolidated subsidiaries: 16

Names of main consolidated subsidiaries are stated in "Group Companies" of the Annual Report.

##### (ii) Names of main non-consolidated subsidiaries, etc.: none

#### b. Matters related to the application of the equity method

##### (i) Number of non-consolidated subsidiaries accounted for under the equity method: none

##### (ii) Number of affiliates accounted for under the equity method: 3

The affiliates accounted for under the equity method are Alternative Investment Capital Ltd., Thuriya Ace Technology Company Limited and one other company.

Thuriya Ace Technology Company Limited was established as a joint venture on February 1, 2017. The company is included as an affiliate accounted for under the equity method from the fiscal year 2016.

##### (iii) Names of non-consolidated subsidiaries and affiliates not accounted for under the equity method, etc.: none

##### (iv) For the companies accounted for under the equity method for which the closing date is different from the consolidated closing date, the financial statements of each company's fiscal year are used.

#### c. Matters related to the fiscal year of consolidated subsidiaries, etc.

The closing date of some consolidated subsidiaries is December 31. In preparing the consolidated financial statements, financial statements as of that date are used and necessary adjustments are made on consolidation to reflect significant transactions that occurred between the closing date and the consolidated closing date.

### (3) Foreign currency translation

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

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

### (4) Evaluation criteria and evaluation method of significant assets

#### a. Evaluation criteria and evaluation method of securities (including cash and deposits/monetary claims purchased which are equivalent to securities and securities invested as trust properties in monetary trusts)

- (i) Trading securities: market value method (costs of securities sold are calculated based on the moving average method)
  - (ii) Held-to-maturity bonds: amortized cost method based on the moving average method (straight-line method)
  - (iii) Policy-reserve-matching bonds: amortized cost method based on the moving average method (straight-line method)
  - (iv) Available-for-sale securities
    - Securities with market value are market value method (costs of securities sold are calculated based on the moving average method) based on the market price, etc., of the last day of the consolidated fiscal year
    - Securities without market value, public and corporate bonds (including foreign bonds), for which the difference between the purchase price and face value is recognized as an interest rate adjustment, are amortized at cost method based on the moving average method (straight-line method)
    - Securities other than the above are cost method based on the moving average method
- Unrealized gains and losses on available-for-sale securities are included in net assets.

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

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

[Taiyo Life]

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

- Taking into account this investment policy and based on the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds within the Insurance Industry” (JICPA, Industry Audit Committee Report No. 21), the following insurance policies are identified and classified as a sub-segment.
- All policies except for group insurance products segment and other insurance product segment, etc., in the general asset segment
  - All defined contribution corporate pension insurance policies and all group pure endowment insurance in the group annuity insurance asset segment

- All insurance policies in the single-premium whole life/annuity insurance asset segment

(Additional information)

At the end of the consolidated fiscal year 2016, a sub-segment subject to non-participating single-premium endowment insurance was integrated to general asset segment. This was due to the decline in significance of managing interest rate risk using asset and liability matching under an independent sub-segment followed by a decrease in the policy reserve balance of the said sub-segment. There is no effect on the consolidated balance sheet and consolidated statement of operation regarding this change.

[Daido Life]

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

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

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

[T&D Financial Life]

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

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

Note that some insurance types and benefits are excluded.

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

### (5) Reserve for possible loan losses

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

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

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

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

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

For collateralized or guaranteed loans to borrowers subject to bankruptcy or substantial bankruptcy, the amount of loans exceeding the estimated value of collateral or guarantees, which were deemed uncollectible, was directly deducted from the amount of loans in the amounts of ¥395 million and ¥385 million (\$3,434 thousand) for the years ended March 31, 2016 and 2017, respectively.

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

### (6) Allocation method for reserve for price fluctuations

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

### (7) Funding method for policy reserve

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

- For policies subject to standard policy reserve, the method

established by the Commissioner of the Financial Services Agency (Notification No. 48 of the Ministry of Finance (1996))

- For policies not subject to standard policy reserve, net level premium method

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

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

To provide for payment of bonuses to directors and audit & supervisory board members, a reserve for the directors' and audit & supervisory board members' bonuses is recorded based on the expected amount to be paid in the year ended March 31, 2017.

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

To provide for directors' and audit & supervisory board members' retirement benefits, the Company sets up a provision for directors' and audit & supervisory board members' retirement benefits based on the internal rules of certain consolidated subsidiaries which is recorded in the amount recognized to have accrued as of March 31, 2017.

### (10) Accounting method for employees' retirement benefits

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

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

### (11) Depreciation method for significant depreciation assets

#### a. Tangible fixed assets (except for lease assets)

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

- Buildings, building and accessories, and structures: 3–50 years
- Furniture and fixtures: 2–20 years

#### b. Intangible fixed assets (except for lease assets)

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

### c. Lease assets

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

## (12) Land revaluation

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

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

The amount is rationally adjusted and calculated based on the listed land price value as prescribed in Article 2, Item 1 of the Order for Enforcement of the Act on Revaluation of Land, and an appraisal by the real estate appraisers as prescribed in Article 2, Items 5 of the same, etc.

– Date of revaluation: March 31, 2002

## (13) Method for significant hedge accounting

### a. Hedge accounting method for Taiyo Life

#### (i) Method for hedge accounting

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

#### (ii) Hedging instrument and hedged item

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

#### 6) Hedging instrument: forward contract

Hedged item: domestic and foreign stocks, domestic and foreign-listed investment trusts

#### (iii) Hedging policy

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

#### (iv) Evaluation method for hedge effectiveness

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

### b. Hedge accounting method for Daido Life

#### (i) Method for hedge accounting

Fair value hedge treatment is adopted for the method for hedge accounting. Allocation treatment is adopted for foreign exchange contract transactions hedging foreign currency deposits qualifying for allocation treatment.

#### (ii) Hedging instrument and hedged item

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

#### (iii) Hedging policy

Based on internal rules, etc., concerning asset management, foreign exchange fluctuation risks of hedged items are hedged within a certain range.

#### (iv) Evaluation method for hedge effectiveness

Hedge effectiveness is evaluated by ratio analysis which mainly compares the fair value fluctuation of hedged items and hedging instruments.

**(14) Accounting treatment for consumption taxes**

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

**(15) Scope of cash and cash equivalents in the consolidated statements of cash flows**

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

**(16) Changes in accounting policies, etc.**

In accordance with revisions to the Corporation Tax Act, the Company and its subsidiaries have applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) in the consolidated fiscal year 2016, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the profit and loss is negligible.

[Additional information]

The Company and its subsidiaries have applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) in the consolidated fiscal year 2016.

**Note 3 Loans**

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

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Loans to bankrupt companies	¥ 256	¥ 207	\$ 1,845
Past due loans	744	431	3,842
Loans overdue for three months or more	2,835	2,527	22,531
Restructured loans	30	23	208
Total	¥3,867	¥3,189	\$28,427

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

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

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

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

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

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

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Loans to bankrupt companies	¥ 74	¥ 76	\$685
Past due loans	119	106	950

#### Note 4 » Accumulated Depreciation of Tangible Fixed Assets

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

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Accumulated depreciation of tangible fixed assets	¥228,781	¥230,955	\$2,058,608

#### Note 5 » Separate Account Assets

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

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Separate account assets as provided in Article 118, Paragraph 1 of the Insurance Business Act	¥130,793	¥84,797	\$755,836

#### Note 6 » Reserve for Policyholder Dividends

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

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Balance at the beginning of the year	¥109,920	¥105,311	\$ 938,692
Policyholder dividends	(36,625)	(37,713)	(336,158)
Increase in interest	65	27	249
Increase due to other reasons	31	—	—
Decrease due to other reasons	—	(58)	(518)
Provision for reserve for policyholder dividends	31,920	25,374	226,170
Balance at the end of the year	¥105,311	¥ 92,942	\$ 828,434

#### Note 7 » Unused Loan Balance under Loan Commitments

The unused loan balance under loan commitments is as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Total amount of loan commitments	¥6,500	¥13,700	\$122,114
Balance of loans outstanding	1,874	3,017	26,895
Balance	¥4,625	¥10,682	\$ 95,218

#### Note 8 » Lending Securities for Loan Agreements

The lending securities for loan agreements are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Lending securities for loan agreement	¥95,073	¥307,735	\$2,742,984

#### Note 9 » Bonds

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

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Subordinated bonds	¥20,000	¥20,000	\$178,269

**Note 10** Other Liabilities

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Subordinated borrowings	¥30,000	¥30,000	\$267,403

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

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Contributions to the Life Insurance Policyholders Protection Corporation	¥24,922	¥22,609	\$201,527

**Note 12** Organizational Change Surplus

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Taiyo Life Insurance Company	¥63,158	¥63,158	\$562,959
Daido Life Insurance Company	10,836	10,836	96,589

**Note 13** Stocks of Affiliated Companies

Stocks of affiliated companies included in securities are as follows:

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Stocks of affiliated companies	¥317	¥350	\$3,123

**Note 14** Assets Pledged as Collateral and Secured Debts

Assets pledged as collateral

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Japanese government bonds	¥121,630	¥139,287	\$1,241,532
Foreign securities	95,073	307,735	2,742,984
Cash collateral pledged for financial instruments	—	16,894	150,583
Balance	¥216,703	¥463,916	\$4,135,100

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

Secured debts

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Cash collateral received for bond-lending transactions	¥—	¥114,804	\$1,023,303

## Note 15 Impairment Losses on Fixed Assets

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

### (1) Grouping of assets

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

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

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

For part of the real estate owned for insurance operations, etc., book value was deducted to the recoverable amount and the deducted amount was recorded in extraordinary losses as impairment losses because the recoverable amount was below the book value.

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

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

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

Year ended March 31, 2017					¥ millions	US\$ thousands
Asset	Location	Software used in-house	Land	Buildings, etc.	Total	Total
Insurance operations, etc.	Minato-ku, Tokyo, etc.	¥3,057	¥ —	¥251	¥3,308	\$29,486
Rental properties, etc.	Kofu City, Yamanashi Prefecture, etc. (7 assets)	¥ —	¥845	¥626	¥1,471	\$13,119

### (4) Method of calculating the recoverable amount

The recoverable amount is based on the value in use for insurance operations, etc., and value in use or net realizable value for rental properties, etc.

The value in use for insurance operations, etc., is calculated by discounting future cash flows by (0.18)%, and the value in use for real

estate owned for rental properties, etc., is calculated by discounting future cash flows by 5.50%–5.85% for the fiscal year 2015 and 5.60%–6.00% for the fiscal year 2016. In principle, the net realizable value for real estate owned for rental properties is calculated by subtracting the estimated costs of disposal from the appraisal value calculated in accordance with the real estate appraisal standard.

### Note 16 Consolidated Statement of Comprehensive Income

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

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Valuation difference on available-for-sale securities:			
Valuation difference during the year	¥(176,994)	¥(162,059)	\$(1,444,505)
Reclassification adjustments	(55,206)	(44,159)	(393,617)
Amount before tax effect	(232,200)	(206,218)	(1,838,122)
Tax effect	69,691	57,861	515,749
Valuation difference on available-for-sale securities	(162,509)	(148,357)	(1,322,372)
Deferred gains (losses) on hedging instruments:			
Deferred gains (losses) during the year	1,233	—	—
Reclassification adjustments	6,119	4,720	42,072
Amount before tax effect	7,353	4,720	42,072
Tax effect	(2,213)	(1,321)	(11,780)
Deferred gains (losses) on hedging instruments	5,139	3,398	30,292
Land revaluation:			
Tax effect	155	—	—
Land revaluation	155	—	—
Foreign currency translation adjustments:			
Translation adjustments during the year	0	(0)	(1)
Share of other comprehensive income of associates accounted for using the equity method:			
Share of other comprehensive income during the year	(4)	(5)	(46)
Total other comprehensive income	¥(157,219)	¥(144,963)	\$(1,292,129)

### Note 17 Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2016

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

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

Notes:

- Treasury shares increased due to following reasons:
  - 16,201,400 shares by the purchase of treasury shares based on the resolution made at a board of directors meeting held on May 20, 2015
  - 9,157 shares by purchasing odd-lot shares
- Treasury shares decreased due to following reasons:
  - 120,000 shares by exercising stock options
  - 270 shares by accepting requests for the purchase of odd-lot shares

#### (2) Information of subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year
		¥ millions
The Company	Share subscription rights as stock options	¥926

### (3) Information of shareholder dividends

The amount of shareholder dividends is as follows:

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

The amount of shareholder dividends which was affected in the year ending March 31, 2017, while its record date was in the year ended March 31, 2016, is as follows:

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

For the year ended March 31, 2017

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

Year ended March 31, 2017	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Shares issued:				
Common stock	681,480,000	—	—	681,480,000
Treasury shares:				
Common stock	32,723,022	16,289,732	86,980	48,925,774

Notes:

1. Treasury shares increased due to following reasons:

- 13,525,600 shares by the purchase of treasury shares based on the resolution made at a board of directors meeting held on May 13, 2016
- 2,755,000 shares by the purchase of treasury shares based on the resolution made at a board of directors meeting held on February 14, 2017
- 9,132 shares by purchasing odd-lot shares

2. Treasury shares decreased due to following reasons:

- 86,800 shares by exercising stock options
- 180 shares by accepting requests for the purchase of odd-lot shares

### (2) Information of subscription rights to shares

Category	Breakdown of subscription rights to shares	Balance at the end of the fiscal year	
		¥ millions	US\$ thousands
The Company	Share subscription rights as stock options	¥1,178	\$10,501

### (3) Information of shareholder dividends

The amount of shareholder dividends is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends		Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands	¥	US\$		
Ordinary General Meeting of Shareholders held on June 28, 2016	Common stock	¥19,462	\$173,479	¥30.00	\$0.26	March 31, 2016	June 29, 2016
Board of directors meeting held on November 11, 2016	Common stock	¥ 9,529	\$ 84,942	¥15.00	\$0.13	September 30, 2016	December 5, 2016

The amount of shareholder dividends that is affected in the year ending March 31, 2018, while its record date is in the year ended March 31, 2017, is as follows:

Date of resolution	Type of shares	Amount of shareholder dividends		Underlying assets	Shareholder dividends per share		Record date	Effective date
		¥ millions	US\$ thousands		¥	US\$		
Ordinary General Meeting of Shareholders held on June 28, 2017	Common stock	¥11,069	\$98,669	Retained earnings	¥17.5	\$0.15	March 31, 2017	June 29, 2017

**Note 18 Consolidated Statement of Cash Flows**

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

	¥ millions		US\$ thousands
As of March 31,	2016	2017	2017
Cash and deposits	¥1,024,692	¥ 862,425	\$ 7,687,189
Less: deposits with an original maturity of more than three months	(4,260)	(4,460)	(39,753)
Call loans	2,673	11,302	100,739
Monetary claims purchased	269,668	141,242	1,258,959
Less: monetary claims purchased other than cash and cash equivalents	(167,852)	(125,242)	(1,116,345)
Cash and cash equivalents	¥1,124,922	¥ 885,267	\$ 7,890,788

**Note 19 Lease Transactions****[As lessee]****(1) Finance leases**

- a. Ownership-transfer finance leases
  - (i) Details of the lease assets
    - Intangible fixed assets: software
  - (ii) Depreciation method for the lease assets
 

The same depreciation method applied to self-owned fixed assets is applied.

## b. Non-ownership-transfer finance leases

- (i) Details of the lease assets
  - Tangible fixed assets: office appliances such as computer servers
  - Intangible fixed assets: software
- (ii) Depreciation method for the lease assets
 

Straight-line method over the lease period is applied.

**(2) Operating leases**

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

	¥ millions		US\$ thousands
As of March 31,	2016	2017	2017
Due within one year	¥ 9	¥ 8	\$ 71
Due after one year	13	5	48
Total	¥23	¥13	\$120

**[As lessor]****(1) Lease investment assets**

## a. Other assets

	¥ millions		US\$ thousands
As of March 31,	2016	2017	2017
Other:			
Lease income receivables	¥32,151	¥32,060	\$285,771
Estimated residual value	362	418	3,733
Interest income	(2,693)	(2,653)	(23,651)
Total lease investment assets	¥29,820	¥29,826	\$265,853

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

As of March 31, 2016	¥ millions	
	Lease receivables	Lease investment assets
Due within one year	¥1,632	¥8,475
Due after one year through two years	1,434	7,078
Due after two years through three years	1,185	5,644
Due after three years through four years	951	4,112
Due after four years through five years	655	2,721
Due after five years	1,087	4,119

As of March 31, 2017	¥ millions		US\$ thousands	
	Lease receivables	Lease investment assets	Lease receivables	Lease investment assets
Due within one year	¥1,760	¥8,383	\$15,690	\$74,728
Due after one year through two years	1,507	6,975	13,433	62,179
Due after two years through three years	1,260	5,461	11,238	48,683
Due after three years through four years	956	4,064	8,522	36,232
Due after four years through five years	647	2,791	5,768	24,883
Due after five years	1,129	4,382	10,071	39,064

## Note 20 Tax-effect Accounting

### (1) Breakdown of the accrual of deferred tax assets and liabilities by main causes

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Deferred tax assets:			
Policy reserves	¥ 66,193	¥ 64,236	\$ 572,565
Reserve for price fluctuations	49,148	57,306	510,800
Net defined benefit liability	31,733	31,087	277,098
Devaluation losses on securities	14,219	13,954	124,385
Deferred losses on disposal of fixed assets	5,368	5,656	50,420
Provision for bonuses	2,118	2,219	19,781
Tax loss carry-forward	1,537	1,376	12,267
Reserve for possible loan losses	584	501	4,467
Others	15,732	16,137	143,844
Subtotal	186,636	192,476	1,715,633
Valuation allowance	(21,147)	(16,410)	(146,276)
Total deferred tax assets	165,488	176,066	1,569,356
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(180,632)	(122,768)	(1,094,295)
Accrued dividend income	(2,018)	(2,062)	(18,384)
Deferred gain on reduction of book value of real estate	(642)	(631)	(5,624)
Others	(1,487)	(1,467)	(13,084)
Total deferred tax liabilities	(184,780)	(126,930)	(1,131,388)
Net deferred tax assets (liabilities)	¥ (19,291)	¥ 49,135	\$ 437,968

(2) Breakdown of important differences between the statutory effective tax rate and the corporate tax rate, etc., after applying tax-effect accounting by main item of the causes

Years ended March 31,	2016	2017
Statutory tax rate	28.8%	28.2%
(Adjustments)		
Valuation allowance	0.4	(5.1)
Permanent difference items including entertainment expense, etc.	0.6	0.6
Adjustment of deferred tax assets due to changes in the statutory tax rate	3.7	0.2
Others, net	0.5	(1.8)
Effective tax rate	34.0%	22.1%

Note 21 Financial Instruments

(1) Matters related to the condition of financial instruments

a. Policy for handling financial instruments

T&D Life Group's main business is life insurance business. The Group underwrites various classes of life insurance and invests the money collected as insurance premiums in financial assets including securities and loans.

In order to efficiently invest the insurance premiums trusted to us by the policyholders, the Group's asset management policy aims to build a portfolio which ensures long-term stable returns considering the characteristics of long-term obligations involved in life insurance policies, based on the concept of ERM which integrally manages profit, risk, and capital, and at the same time, paying adequate attention to the soundness and public welfare of the investments.

Derivative financial instruments are used to hedge fluctuation risks involved in our investment in financial instruments, as well as partially complement physical assets. Furthermore, in order to pursue greater financial soundness, the Group has been financing the subordinated-class capital (bonds and borrowings).

b. Details and risks of financial instruments

Financial assets held by the Group mainly comprise securities and loans.

Securities include public and corporate bonds, stocks and investment trusts offered at home and abroad that are held on a long-term basis for the purpose of investment geared to market prospects to ensure stable returns. These financial instruments are exposed to credit risks of the issuing entities and market risks associated with fluctuations in interest rate, exchange rates and stock prices, as well as market liquidity risks.

Loans here include policy loans for policyholders and commercial loans (non-policy loans) provided mainly to domestic businesses and individuals. Commercial loans, though intended to ensure stable returns, are exposed to credit risks of borrowers'

default. A policy loan is provided within the surrender value of each insurance policy, thus its credit risk is minimal.

Derivative transactions including stock index futures contracts, forward exchange contracts and interest rate swap agreements are used primarily to hedge price fluctuation risks of our financial assets, and partially to complement physical assets by, for example, providing a solution to the time constraint prior to the inclusion of physical assets into our portfolio. Accordingly, the Group does not enter into those transactions for speculative purposes.

Stringent risk management is in place for derivative transactions, by clearly defining tolerable allowances in terms of nature, underlying assets and trading limits of the transactions as well as by properly controlling their status.

Hedge accounting is appropriately practiced in interest rate swap agreements for loans and forward exchange contracts for foreign currency-denominated assets, under the internal rules clearly defining qualifications, applicable types of transactions, methods of evaluation of its effectiveness and methods of its designation. Effectiveness of hedging is determined by ratio analysis methodology comparing the movements of fair market values of the hedged items and hedging instruments.

c. Risk management system for financial instruments

(i) Overall risk management system

The Group, in consideration of the social and public nature of the life insurance business which is its main business, defines precise identification and management of risks as one of the crucial management tasks for ensuring the soundness and adequacy of management, where the Company, as the Group's holding company, has developed a "Group Risk Management Policy" which sets out the basic risk management philosophy within the Group and provides the risk management structure according to business characteristics and risk profiles at each of the company including the Three Life Insurance Companies.

As an organizational structure, the Group Risk Management Committee is established for the purpose of coordinated management of risks within the Group, and has a clear understanding of the status of various risks at each company including the Three Life Insurance Companies, through reports prepared on a regular or as-needed basis at each company using the unified risk management criteria. Further, the Company provides guidance and advice as appropriate to companies including the Three Life Insurance Companies, to promote the enhancement of risk management at each company as well as across the Group.

At each of the Three Life Insurance Companies, a committee has been established to supervise company-wide risk management at an enhanced level, while a mutual check-and-balance system is in place under the internal organizational arrangement including the separation of the investment and loan execution function from the administration function within the investment division, independence of the credit check function and implementation of the internal audits by the Internal Auditing Department.

Furthermore, the Group has established the ERM committee to manage risks integrally with profit and capital on an economic value basis. Through the promotion and enhancement of ERM, the Group aims for steady and sustainable growth in its corporate value.

(ii) Management of market risk

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

(iii) Management of credit risk

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

(iv) Management of liquidity risk

Liquidity risks are managed by ensuring a constant amount of liquidity based on the risk management department's precise understanding of the latest risk information, including the share of highly liquid assets, cash flow situation, trends of the general financial/securities markets and status of individual financial instruments, as well as developing a management structure that enables smooth liquidation of assets for financing.

d. Supplementary notes concerning the matters related to fair value, etc., of financial instruments

Fair value is based on market price or rationally estimated fair value is included if the market price is not readily available.

Estimation of fair value requires the use of certain assumptions and valuation methodologies. Therefore, the use of different assumptions and valuation methodologies may lead to a different value. In addition, notional amounts of derivative financial instruments shown in the following tables do not represent exposure to market risks.

## (2) Matters related to fair value, etc., of financial instruments

The following tables show consolidated carrying amount, fair value and difference. Financial instruments without readily obtainable fair value are not included. (See Annotation 2.)

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

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

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

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

	¥ millions		
As of March 31, 2017	Consolidated carrying amount	Fair value	Difference
Cash and deposits	¥ 862,425	¥ 862,425	¥ —
Treated as securities	33,000	33,000	—
Available-for-sale securities	33,000	33,000	—
Others	829,425	829,425	—
Call loans	11,302	11,302	—
Monetary claims purchased	141,242	145,443	4,200
Treated as securities	135,509	139,537	4,027
Held-to-maturity bonds	51,368	55,396	4,027
Available-for-sale securities	84,140	84,140	—
Others	5,732	5,905	172
Monetary trusts	583,476	614,417	30,941
Monetary trusts for trading purposes	6,195	6,195	—
Monetary trusts for held-to-maturity purposes	38,634	38,135	(499)
Monetary trusts for policy reserve-matching purposes	509,621	541,061	31,440
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	29,025	29,025	—
Securities	10,826,151	11,522,845	696,693
Trading securities	88,799	88,799	—
Held-to-maturity bonds	1,409,025	1,649,993	240,967
Policy reserve-matching bonds	2,735,848	3,191,574	455,726
Available-for-sale securities	6,592,477	6,592,477	—
Loans	1,683,760	1,750,504	66,744
Policy loans *1	127,553	142,389	14,843
Commercial loans *1	1,557,565	1,608,114	51,900
Reserve for possible loan losses *2	(1,358)	—	—
Total assets	14,108,359	14,906,938	798,578
Short-term debentures	2,999	2,999	—
Bonds	50,095	51,046	951
Cash collateral received for bond-lending transactions within other liabilities	114,804	114,804	—
Borrowings within other liabilities	64,603	64,935	332
Total liabilities	232,502	233,786	1,283
Derivative financial instruments *3:			
Hedge accounting not applied	9,761	9,761	—
Hedge accounting applied	(29,942)	(28,816)	1,126
Total derivative financial instruments	¥ (20,181)	¥ (19,055)	¥ 1,126

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

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

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

US\$ thousands			
As of March 31, 2017	Consolidated carrying amount	Fair value	Difference
Cash and deposits	\$ 7,687,189	\$ 7,687,189	\$ —
Treated as securities	294,143	294,143	—
Available-for-sale securities	294,143	294,143	—
Others	7,393,045	7,393,045	—
Call loans	100,739	100,739	—
Monetary claims purchased	1,258,959	1,296,399	37,440
Treated as securities	1,207,859	1,243,760	35,900
Held-to-maturity bonds	457,874	493,775	35,900
Available-for-sale securities	749,984	749,984	—
Others	51,099	52,639	1,539
Monetary trusts	5,200,791	5,476,583	275,791
Monetary trusts for trading purposes	55,222	55,222	—
Monetary trusts for held-to-maturity purposes	344,364	339,916	(4,448)
Monetary trusts for policy reserve-matching purposes	4,542,486	4,822,726	280,239
Monetary trusts for other than trading, held-to-maturity or policy reserve-matching purposes	258,719	258,719	—
Securities	96,498,367	102,708,309	6,209,942
Trading securities	791,513	791,513	—
Held-to-maturity bonds	12,559,281	14,707,131	2,147,850
Policy reserve-matching bonds	24,385,850	28,447,942	4,062,091
Available-for-sale securities	58,761,721	58,761,721	—
Loans	15,008,113	15,603,033	594,919
Policy loans *1	1,136,939	1,269,180	132,310
Commercial loans *1	13,883,278	14,333,852	462,609
Reserve for possible loan losses *2	(12,104)	—	—
Total assets	125,754,161	132,872,254	7,118,093
Short-term debentures	26,740	26,740	—
Bonds	446,519	455,003	8,483
Cash collateral received for bond-lending transactions within other liabilities	1,023,303	1,023,303	—
Borrowings within other liabilities	575,840	578,800	2,960
Total liabilities	2,072,402	2,083,847	11,444
Derivative financial instruments *3:			
Hedge accounting not applied	87,004	87,004	—
Hedge accounting applied	(266,895)	(256,854)	10,040
Total derivative financial instruments	\$ (179,890)	\$ (169,849)	\$ 10,040

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

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

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

#### Annotation 1.

Matters relating to the calculation method of financial instruments as well as securities and derivative transactions

##### Assets

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

- c. Monetary claims purchased: those which are reasonably deemed appropriate to treat as securities are recorded in the same way as securities, while others which are reasonably deemed appropriate to treat as loan receivable are recorded in the same way as loans.

- d. Monetary trusts: monetary trusts which are mainly invested in securities are recorded in the same way as securities. In addition, foreign exchange contracts, currency options and stock index option contracts, etc., are used in monetary trusts where the market values for foreign exchange contracts are obtained from trustee companies, and the market values for currency options and

stock index option contracts, etc., are calculated based on prices quoted by the counterparty financial institutions.

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

See "Note 22 Securities" for notes related to securities by holding purposes.

f. Loans:

- (i) Policy loans: fair value is calculated by discounting the expected future cash flow derived from the repayment rate based on the past actual repayment performance by the risk-free rate.
- (ii) Commercial loans: a variable interest rate loan reflects the market interest rate in a short period of time. Therefore, it is basically recorded at book value as its fair value is proximate to the book value unless the borrower's credit standing significantly changes after the loan was provided.

Fair value of fixed interest rate loans is calculated by discounting the total of principal and interest by risk-free rates weighted by credit risks involved.

For loans to bankrupt companies, loans to effectively bankrupt companies and loans to potentially bankrupt companies, since estimated uncollectible amounts are calculated based on

the present value of the estimated future cash flows or estimated amounts recoverable through pledge or guarantee, fair values are proximate to consolidated balance sheet amounts less uncollectible amounts at the consolidated closing date. These values are recorded as fair values.

However, for compound financial instruments, fair values are based on their prices quoted by the underwriting financial institutions

Liabilities

- a. Short-term debentures: fair values are recorded in book values. Fair values are proximate to book values because these are settled in a short period of time.
- b. Bonds: fair values are based on the price provided from the counterparty financial institutions or calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.
- c. Cash collateral received for bond-lending transactions: fair values are recorded in book values. Fair values are proximate to book values because these are short-term transactions.
- d. Borrowings: market values are calculated by discounting principal and interest by risk-free rates weighted by credit risks involved.

Derivative transactions: see "Note 24 Derivative Transactions."

## Annotation 2.

The carrying amounts of financial instruments without readily obtainable fair value, which is not included in "Securities" of "(2) Matters related to fair value, etc., of financial instruments," are summarized as follows:

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Investments in affiliates	¥ 317	¥ 350	\$ 3,123
Available-for-sale securities	192,648	175,450	1,563,873
Unlisted stocks *1, *2	24,514	19,290	171,948
Foreign securities *1, *2, *3	155,632	142,135	1,266,914
Other securities *2, *3	12,500	14,025	125,011

\*1. Unlisted stocks are exempt from disclosure of fair value which is considered financial instruments without readily obtainable fair value due to the lack of market value.

\*2. Impairment losses:

– For the year ended March 31, 2016: unlisted stocks ¥3,569 million

– For the year ended March 31, 2017: foreign securities ¥273 million (\$2,435 thousand) and other securities ¥101 million (\$907 thousand)

\*3. Investment in capital of partnership which is included in other securities is exempt from disclosure of fair value because the partnership assets comprise financial instruments without readily obtainable fair value such as unlisted stocks.

## Annotation 3.

Scheduled redemption amounts after the consolidated closing date for monetary claims and fixed-maturity securities are as follows:

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

\* Securities without contractual maturity dates in the amount of ¥561,516 million are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥154,490 million are not included.

	¥ millions			
As of March 31, 2017	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	¥862,039	¥ —	¥ —	¥ —
Call loans	11,302	—	—	—
Monetary claims purchased	16,059	5,733	293	112,064
Securities:				
Held-to-maturity bonds:				
Government bonds	25,380	392,622	124,603	609,314
Municipal bonds	100	13,495	700	38,101
Corporate bonds	1,500	33,806	26,010	168,552
Policy reserve-matching bonds:				
Government bonds	10,573	87,911	220,700	1,504,348
Municipal bonds	1,450	11,836	45,110	110,030
Corporate bonds	13,900	73,460	102,610	527,200
Available-for-sale fixed maturity securities:				
Government bonds	18,600	66,671	74,315	459,819
Municipal bonds	51,088	85,153	19,320	13,838
Corporate bonds	193,320	431,484	245,161	159,392
Foreign securities	125,386	516,007	1,299,920	505,426
Other securities	1	6	1	—
Loans	239,860	632,402	516,128	158,906

	US\$ thousands			
As of March 31, 2017	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Deposits	\$7,683,746	\$ —	\$ —	\$ —
Call loans	100,739	—	—	—
Monetary claims purchased	143,147	51,103	2,613	998,881
Securities:				
Held-to-maturity bonds:				
Government bonds	226,229	3,499,621	1,110,648	5,431,096
Municipal bonds	891	120,295	6,239	339,611
Corporate bonds	13,370	301,328	231,838	1,502,383
Policy reserve-matching bonds:				
Government bonds	94,241	783,590	1,967,198	13,408,931
Municipal bonds	12,924	105,499	402,085	980,746
Corporate bonds	123,896	654,782	914,609	4,699,171
Available-for-sale fixed maturity securities:				
Government bonds	165,790	594,268	662,403	4,098,574
Municipal bonds	455,378	759,010	172,207	123,344
Corporate bonds	1,723,154	3,846,018	2,185,232	1,420,735
Foreign securities	1,117,630	4,599,409	11,586,777	4,505,095
Other securities	8	55	8	—
Loans	2,137,983	5,636,883	4,600,484	1,416,406

\* Securities without contractual maturity dates in the amount of ¥761,781 million (\$6,790,098 thousand) are not included. In addition, loans without contractual maturity dates such as policy loans in the amount of ¥137,789 million (\$1,228,175 thousand) are not included.

#### Annotation 4.

Scheduled repayment amounts after the consolidated closing date for bonds and other liabilities are as follows:

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

	¥ millions					
As of March 31, 2017	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term debenture	¥ 3,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	—	—	30,000	—	20,000
Cash collateral received for bond-lending transactions within other liabilities	114,804	—	—	—	—	—
Borrowings within other liabilities	11,838	9,469	7,227	4,132	1,540	30,397

	US\$ thousands					
As of March 31, 2017	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term debenture	\$ 26,740	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds	—	—	—	267,403	—	178,269
Cash collateral received for bond-lending transactions within other liabilities	1,023,303	—	—	—	—	—
Borrowings within other liabilities	105,517	84,401	64,417	36,830	13,731	270,942

## Note 22 Securities

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

### (1) Trading securities

		¥ millions	US\$ thousands
As of March 31	2016	2017	2017
Valuation difference charged to earnings (losses)	¥(41,072)	¥(7,609)	\$(67,827)

### (2) Held-to-maturity bonds

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

Note: Other securities include beneficiary trust certificates of ¥70,609 million that are represented as monetary claims purchased in the consolidated balance sheet.

			¥ millions
As of March 31, 2017	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds	¥1,402,926	¥1,644,317	¥241,391
Government bonds	1,127,214	1,313,135	185,920
Municipal bonds	52,967	63,014	10,046
Corporate bonds	222,745	268,168	45,423
Other securities	51,368	55,396	4,027
Total	1,454,295	1,699,714	245,418
Items with fair value not exceeding carrying amount:			
Domestic bonds	6,099	5,675	(423)
Government bonds	6,099	5,675	(423)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other securities	—	—	—
Total	6,099	5,675	(423)
Grand total	¥1,460,394	¥1,705,389	¥244,995

			US\$ thousands
As of March 31, 2017	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds	\$12,504,916	\$14,656,544	\$2,151,628
Government bonds	10,047,367	11,704,564	1,657,196
Municipal bonds	472,119	561,672	89,553
Corporate bonds	1,985,429	2,390,308	404,878
Other securities	457,874	493,775	35,900
Total	12,962,791	15,150,320	2,187,528
Items with fair value not exceeding carrying amount:			
Domestic bonds	54,364	50,586	(3,777)
Government bonds	54,364	50,586	(3,777)
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Other securities	—	—	—
Total	54,364	50,586	(3,777)
Grand total	\$13,017,155	\$15,200,907	\$2,183,751

Note: Other securities include beneficiary trust certificates of ¥51,368 million (\$457,874 thousand) that are represented as monetary claims purchased in the consolidated balance sheet.

### (3) Policy reserve-matching bonds

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

			¥ millions
As of March 31, 2017	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds	¥2,553,648	¥3,026,083	¥472,435
Government bonds	1,770,649	2,106,234	335,584
Municipal bonds	141,764	166,911	25,146
Corporate bonds	641,233	752,937	111,703
Total	2,553,648	3,026,083	472,435
Items with fair value not exceeding carrying amount:			
Domestic bonds	182,200	165,491	(16,709)
Government bonds	74,136	69,850	(4,285)
Municipal bonds	26,717	23,714	(3,003)
Corporate bonds	81,346	71,926	(9,419)
Total	182,200	165,491	(16,709)
Grand total	¥2,735,848	¥3,191,574	¥455,726

As of March 31, 2017	US\$ thousands		
	Carrying amount	Fair value	Difference
Items with fair value exceeding carrying amount:			
Domestic bonds	\$22,761,817	\$26,972,845	\$4,211,028
Government bonds	15,782,600	18,773,818	2,991,218
Municipal bonds	1,263,612	1,487,755	224,142
Corporate bonds	5,715,603	6,711,271	995,667
Total	22,761,817	26,972,845	4,211,028
Items with fair value not exceeding carrying amount:			
Domestic bonds	1,624,033	1,475,096	(148,936)
Government bonds	660,808	622,607	(38,201)
Municipal bonds	238,147	211,376	(26,771)
Corporate bonds	725,077	641,113	(83,964)
Total	1,624,033	1,475,096	(148,936)
Grand total	\$24,385,850	\$28,447,942	\$4,062,091

#### (4) Available-for-sale securities

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

Note: Other securities include certificates of deposit of ¥92,000 million which are represented as cash and deposits, commercial paper of ¥101,816 million and beneficiary trust certificates of ¥95,951 million which are represented as monetary claims purchased in the consolidated balance sheet.

As of March 31, 2017	Carrying amount	Acquisition cost	¥ millions Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds	¥1,369,061	¥1,291,625	¥ 77,435
Government bonds	249,799	215,826	33,972
Municipal bonds	164,827	157,180	7,646
Corporate bonds	954,434	918,617	35,816
Domestic equities	694,831	404,718	290,112
Foreign securities	2,137,853	1,998,663	139,189
Foreign bonds	1,547,734	1,440,557	107,176
Foreign equities	9,194	8,100	1,094
Foreign other securities	580,924	550,005	30,918
Other securities	265,186	224,499	40,686
Total	4,466,932	3,919,507	547,424
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds	711,792	749,155	(37,362)
Government bonds	422,142	450,704	(28,561)
Municipal bonds	11,603	12,707	(1,104)
Corporate bonds	278,046	285,743	(7,696)
Domestic equities	54,290	58,231	(3,941)
Foreign securities	1,380,119	1,454,132	(74,013)
Foreign bonds	1,159,724	1,228,180	(68,456)
Foreign equities	15,456	16,865	(1,409)
Foreign other securities	204,938	209,086	(4,147)
Other securities	96,483	97,285	(801)
Total	2,242,686	2,358,805	(116,118)
Grand total	¥6,709,618	¥6,278,312	¥ 431,305

As of March 31, 2017	US\$ thousands		
	Carrying amount	Acquisition cost	Difference
Items with carrying amount exceeding acquisition cost:			
Domestic bonds	\$12,203,057	\$11,512,837	\$ 690,220
Government bonds	2,226,571	1,923,759	302,812
Municipal bonds	1,469,184	1,401,023	68,161
Corporate bonds	8,507,301	8,188,054	319,246
Domestic equities	6,193,345	3,607,441	2,585,903
Foreign securities	19,055,650	17,814,990	1,240,659
Foreign bonds	13,795,651	12,840,341	955,309
Foreign equities	81,957	72,199	9,758
Foreign other securities	5,178,041	4,902,449	275,591
Other securities	2,363,724	2,001,065	362,659
Total	39,815,778	34,936,334	4,879,443
Items with carrying amount not exceeding acquisition cost:			
Domestic bonds	6,344,528	6,677,556	(333,028)
Government bonds	3,762,747	4,017,331	(254,584)
Municipal bonds	103,423	113,265	(9,842)
Corporate bonds	2,478,358	2,546,959	(68,601)
Domestic equities	483,913	519,046	(35,132)
Foreign securities	12,301,624	12,961,338	(659,713)
Foreign bonds	10,337,146	10,947,326	(610,179)
Foreign equities	137,766	150,329	(12,562)
Foreign other securities	1,826,711	1,863,682	(36,970)
Other securities	860,004	867,150	(7,145)
Total	19,990,071	21,025,091	(1,035,019)
Grand total	\$59,805,850	\$55,961,426	\$ 3,844,423

Note: Other securities include certificates of deposit of ¥33,000 million (\$294,143 thousand) which are represented as cash and deposits, commercial paper of ¥15,999 million (\$142,613 thousand) and beneficiary trust certificates of ¥68,141 million (\$607,371 thousand) which are represented as monetary claims purchased in the consolidated balance sheet.

#### (5) Sales of securities classified as held-to-maturity bonds

There were no sales of securities classified as held-to-maturity bonds for the years ended March 31, 2016 and 2017.

#### (6) Sales of securities classified as policy reserve-matching bonds

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

Year ended March 31, 2017	¥ millions		
	Proceeds on sales	Gross gains	Gross losses
Domestic bonds	¥40,127	¥6,329	¥4
Government bonds	37,418	5,986	4
Municipal bonds	—	—	—
Corporate bonds	2,709	343	—
Total	¥40,127	¥6,329	¥4

		US\$ thousands	
Year ended March 31, 2017	Proceeds on sales	Gross gains	Gross losses
Domestic bonds	\$357,677	\$56,419	\$39
Government bonds	333,529	53,358	39
Municipal bonds	—	—	—
Corporate bonds	24,148	3,060	—
Total	\$357,677	\$56,419	\$39

## (7) Sales of securities classified as available-for-sale securities

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

		¥ millions	
Year ended March 31, 2017	Proceeds on sales	Gross gains	Gross losses
Domestic bonds	¥ 153,725	¥ 14,776	¥ 3,356
Government bonds	147,692	13,710	3,356
Municipal bonds	2,462	463	—
Corporate bonds	3,569	602	—
Domestic equities	217,033	56,278	5,948
Foreign securities	700,776	30,011	36,360
Foreign bonds	618,444	25,807	29,388
Foreign equities	640	12	40
Foreign other securities	81,691	4,191	6,931
Other securities	94,729	3,680	12,055
Total	¥1,166,263	¥104,747	¥57,720

		US\$ thousands	
Year ended March 31, 2017	Proceeds on sales	Gross gains	Gross losses
Domestic bonds	\$ 1,370,220	\$131,712	\$ 29,916
Government bonds	1,316,454	122,211	29,916
Municipal bonds	21,952	4,130	—
Corporate bonds	31,814	5,370	—
Domestic equities	1,934,514	501,639	53,023
Foreign securities	6,246,334	267,508	324,096
Foreign bonds	5,512,474	230,038	261,948
Foreign equities	5,710	111	362
Foreign other securities	728,149	37,358	61,785
Other securities	844,362	32,803	107,453
Total	\$10,395,432	\$933,663	\$514,489

**(8) Impairment of securities**

The Company and its consolidated subsidiaries recognized ¥532 million and ¥478 million (\$4,265 thousand) as impairment losses for the available-for-sale securities with readily obtainable fair value for the fiscal years ended March 31, 2016 and 2017, respectively.

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

**Note 23 » Monetary Trusts**

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

		¥ millions	US\$ thousands
As of March 31,	2016	2017	2017
Valuation difference charged to earnings (losses)	¥4,237	¥592	\$5,285

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

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

			¥ millions
As of March 31, 2017	Carrying amount	Fair value	Difference
Monetary trusts	¥38,634	¥38,135	¥(499)

			US\$ thousands
As of March 31, 2017	Carrying amount	Fair value	Difference
Monetary trusts	\$344,364	\$339,916	\$(4,448)

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

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

	¥ millions		
As of March 31, 2017	Carrying amount	Fair value	Difference
Monetary trusts	¥509,621	¥541,061	¥31,440

	US\$ thousands		
As of March 31, 2017	Carrying amount	Fair value	Difference
Monetary trusts	\$4,542,486	\$4,822,726	\$280,239

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

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

	¥ millions		
As of March 31, 2017	Carrying amount	Acquisition cost	Difference
Monetary trusts	¥29,025	¥28,670	¥355

	US\$ thousands		
As of March 31, 2017	Carrying amount	Acquisition cost	Difference
Monetary trusts	\$258,719	\$255,550	\$3,169

**Note 24** Derivative Transactions

**(1) Derivative financial instruments for which hedge accounting is not applied**
**a. Currency-related transactions**

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

**Notes:**

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

¥ millions				
As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥ 79,948	¥—	¥1,100	¥1,100
U.S. dollar	27,525	—	624	624
Euro	17,750	—	33	33
British pound	8,559	—	185	185
Australian dollar	24,696	—	250	250
New Zealand dollar	1,416	—	7	7
Bought	399	—	0	0
U.S. dollar	55	—	0	0
Euro	343	—	0	0
Currency swaps:				
Receive foreign, pay yen	147,227	—	915	915
U.S. dollar	14,232	—	(187)	(187)
Australian dollar	132,994	—	1,102	1,102
Total				¥2,017

				US\$ thousands
As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	\$ 712,617	\$—	\$ 9,812	\$ 9,812
U.S. dollar	245,349	—	5,564	5,564
Euro	158,215	—	296	296
British pound	76,295	—	1,652	1,652
Australian dollar	220,130	—	2,232	2,232
New Zealand dollar	12,626	—	67	67
Bought	3,564	—	8	8
U.S. dollar	498	—	1	1
Euro	3,065	—	7	7
Currency swaps:				
Receive foreign, pay yen	1,312,306	—	8,159	8,159
U.S. dollar	126,862	—	(1,667)	(1,667)
Australian dollar	1,185,443	—	9,826	9,826
Total				\$17,980

## Notes:

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

## b. Interest-related transactions

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

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

				¥ millions
As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	¥19,672	¥18,642	¥7,743	¥7,743
Total				¥7,743

				US\$ thousands
As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive fixed, pay floating	\$175,352	\$166,172	\$69,024	\$69,024
Total				\$69,024

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

## c. Stock-related transactions

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

Notes:

1. Fair value of stock index options is calculated based on the closing price on major exchanges or price obtained from the counterparty financial institutions.
2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

The Company held no stock-related derivative instruments as of March 31, 2017.

d. Others

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

Notes:

1. Fair value of compound financial instruments is calculated based on the price obtained from the counterparty financial institutions.
2. Compound financial instruments are those of which embedded derivatives are not rationally separated from compound financial instruments.
3. Contracted value or notional principal amount indicates purchase amount of compound financial instruments.

The Company held no other derivative instruments as of March 31, 2017.

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

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

Notes:

1. Fair value is based on prices obtained from counterparty financial institutions.
2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

	Notional amount			¥ millions
As of March 31, 2017	Total	Over one year	Fair value	Valuation gains (losses)
Over-the-counter transactions:				
Currency-related transactions:				
Foreign exchange contracts:				
Sold	¥99,308	¥ —	¥1,119	¥ 1,119
U.S. dollar	8,812	—	201	201
Australian dollar	90,496	—	918	918
Currency options:				
Bought:				
Put	3,508	2,636		
	[836]	[651]	336	(499)
U.S. dollar	1,974	1,505		
	[513]	[403]	170	(343)
Euro	1,534	1,130		
	[322]	[247]	166	(156)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	78	56		
	[26]	[18]	71	45
Put	18,839	13,681		
	[4,625]	[3,541]	708	(3,917)
Total				¥(3,251)

				US\$ thousands
As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
Over-the-counter transactions:				
Currency-related transactions:				
Foreign exchange contracts:				
Sold	\$885,184	\$ —	\$9,982	\$ 9,982
U.S. dollar	78,545	—	1,797	1,797
Australian dollar	806,638	—	8,185	8,185
Currency options:				
Bought:				
Put	31,276	23,496		
	[7,454]	[5,804]	2,999	(4,455)
U.S. dollar	17,595	13,416		
	[4,577]	[3,599]	1,518	(3,058)
Euro	13,680	10,079		
	[2,877]	[2,205]	1,480	(1,396)
Stock-related transactions:				
Stock index options:				
Bought:				
Call	696	499		
	[232]	[164]	636	404
Put	167,924	121,946		
	[41,230]	[31,569]	6,315	(34,915)
Total				\$(28,983)

## Notes:

1. Fair value is based on prices obtained from counterparty financial institutions.
2. Figures in brackets represent option premiums that are reported on the consolidated balance sheet.

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

### a. Currency-related transactions

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

#### Notes:

- Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.
- Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans which are the hedged assets for each of these contracts and assets are treated as a unit.

					¥ millions
As of March 31, 2017	Hedged item	Notional amount		Fair value	
		Total	Over one year		
Recognition of valuation gains/losses on hedged items:					
Foreign exchange contracts:					
Sold	Foreign currency-	¥2,754,254	¥ —	¥(29,434)	
U.S. dollar	denominated assets	1,796,199	—	(28,801)	
Euro		526,541	—	1,678	
British pound		188,020	—	1,373	
Canadian dollar		134,955	—	(1,449)	
Australian dollar		89,771	—	(1,571)	
Mexican peso		3,134	—	(223)	
New Zealand dollar		11,339	—	(379)	
Polish zloty		4,292	—	(61)	
Bought		16,554	—	20	
Euro		16,554	—	20	
Allocation treatment for foreign exchange contracts, etc.:					
Foreign exchange contracts:					
Sold	Certificates of deposit	56,000	—	—	
U.S. dollar	in foreign currencies	6,000	—	—	
Australian dollar		50,000	—	—	
Currency swaps:					
Receive yen, pay foreign currency	Foreign currency-	18,961	18,961	—	
U.S. dollar	denominated loans	18,961	18,961	—	
Total				¥(29,413)	

				US\$ thousands
As of March 31, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Foreign exchange contracts:				
Sold	Foreign currency-denominated assets	\$24,549,912	\$ —	\$(262,363)
U.S. dollar		16,010,331	—	(256,718)
Euro		4,693,304	—	14,964
British pound		1,675,912	—	12,239
Canadian dollar		1,202,922	—	(12,920)
Australian dollar		800,171	—	(14,009)
Mexican peso		27,936	—	(1,990)
New Zealand dollar		101,074	—	(3,380)
Polish zloty		38,259	—	(548)
Bought		147,559	—	185
Euro		147,559	—	185
Allocation treatment for foreign exchange contracts, etc.:				
Foreign exchange contracts:				
Sold	Certificates of deposit in foreign currencies	499,153	—	—
U.S. dollar		53,480	—	—
Australian dollar		445,672	—	—
Currency swaps:				
Receive yen, pay foreign currency	Foreign currency-denominated loans	169,014	169,014	—
U.S. dollar		169,014	169,014	—
Total				\$(262,177)

## Notes:

- Forward exchange rates are used for the consolidated fiscal year-end foreign exchange rates.
- Fair value of foreign exchange contracts, etc., with allocation treatments are included in the relevant certificates of deposit in foreign currencies and foreign currency-denominated loans which are the hedged assets for each of these contracts and assets are treated as a unit.

## b. Interest-related transactions

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

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

				¥ millions
As of March 31, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed, pay floating	Loans	¥66,239	¥50,259	¥1,126
Total				¥1,126

US\$ thousands				
As of March 31, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Special treatment for interest rate swaps:				
Interest rate swaps:				
Receive fixed, pay floating	Loans	\$590,423	\$447,986	\$10,040
Total				\$10,040

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

#### c. Stock-related transactions

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

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

					¥ millions
			Notional amount		
As of March 31, 2017	Hedged item		Total	Over one year	Fair value
Recognition of valuation gains/losses on hedged items:					
Forward contracts:					
Sold	Domestic equities		¥138,953	¥—	¥(529)
Total					¥(529)

US\$ thousands				
As of March 31, 2017	Hedged item	Notional amount		Fair value
		Total	Over one year	
Recognition of valuation gains/losses on hedged items:				
Forward contracts:				
Sold	Domestic equities	\$1,238,554	\$—	\$(4,717)
Total				\$(4,717)

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

**Note 25** Employees' Retirement Benefits

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

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

**(2) Defined benefit retirement plan**

a. Reconciliations of the beginning and end of the year balance of retirement benefit obligations are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Balance at the beginning of the year	¥143,661	¥157,819	\$1,406,717
Service cost	5,952	6,715	59,856
Interest cost	1,566	690	6,158
Actuarial gains and losses	14,775	(1,885)	(16,809)
Retirement benefit paid	(8,136)	(7,521)	(67,038)
Accrual of past service costs	—	(102)	(910)
Balance at the end of the year	¥157,819	¥155,716	\$1,387,972

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

b. Reconciliations of the beginning and end of the year balance of pension plan assets are as follows:

Years ended March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Balance at the beginning of the year	¥93,390	¥98,088	\$874,309
Expected return on plan assets	989	755	6,730
Net actuarial gains and losses	3,456	(1,455)	(12,977)
Employer contribution	6,208	7,201	64,192
Benefit obligation paid	(5,956)	(5,420)	(48,317)
Balance at the end of the year	¥98,088	¥99,168	\$883,936

c. Reconciliations of retirement benefit obligations and plan assets to net defined benefit liabilities and net defined benefit assets stated in the consolidated balance sheet are as follows:

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Retirement benefit obligations for funded plans	¥130,088	¥128,616	\$1,146,416
Plan assets	(98,088)	(99,168)	(883,936)
Employee pension trusts	[(61,114)]	[(60,184)]	[(536,454)]
	31,999	29,447	262,479
Retirement benefit obligations for unfunded plans	27,731	27,100	241,555
Net amount of defined benefit liability and defined benefit asset stated in the consolidated balance sheet	59,730	56,547	504,035
Defined benefit liability	59,730	56,547	504,035
Defined benefit asset	—	—	—
Net value for defined benefit liability and defined benefit asset stated in the consolidated balance sheet	¥ 59,730	¥ 56,547	\$ 504,035

d. Components of retirement benefit expense are as follows:

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Service cost	¥ 5,952	¥6,715	\$59,856
Interest cost	1,566	690	6,158
Expected return on plan assets	(989)	(755)	(6,730)
Recognized actuarial gains and losses	11,318	(429)	(3,832)
Recognized past service costs	—	(102)	(910)
Others	8	—	—
Retirement benefit expense relating to defined benefit retirement plan	¥17,856	¥6,119	\$54,541

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

e. Matters related to pension plan assets

(i) Components of pension plan assets are as follows:

As of March 31,	2016	2017
Bonds	73.1%	71.4%
General account	11.4	11.9
Foreign securities	7.0	8.0
Stocks	5.0	5.4
Cash and deposits	2.6	2.6
Joint assets	0.9	0.8
Others	0.0	0.0
Total	100.0%	100.0%

Note: The total includes 62.3% and 60.7% of employee pension trusts set up for corporate pension plans for the fiscal years ended March 31, 2016 and 2017, respectively.

(ii) The setting method for long-term expected rate of return

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

f. Matters related to actuarial basis

Years ended March 31,	2016	2017
Discount rate	(0.07)%–0.80%	0.14%–0.80%
Expected long-term rate of return on plan assets	0.57 %–1.90%	0.10%–1.90%

### (3) Defined contribution retirement plan

The required contribution for the defined contribution retirement plan of the Company and the consolidated subsidiaries amounted to ¥258 million and ¥260 million (\$2,324 thousand) for the fiscal years ended March 31, 2016 and 2017, respectively.

## Note 26 Stock Options

### (1) Amount of expenses related to stock options

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Operating expenses	¥291	¥348	\$3,107

### (2) Details, size and status of stock options

#### a. Details of stock options

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

\* Translated to the number of common stock.

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

\* Translated to the number of common stock.

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

\* Translated to the number of common stock.

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

\* Translated to the number of common stock.

## T&amp;D Holdings, Inc. stock subscription rights (5th series)

Title and number of grantees	Directors (excluding outside directors) and executive officers of the Company: 10 Directors (excluding outside directors) and executive officers of subsidiaries of the Company: 48
Number of stock options by class *	Common stock: 379,800 shares
Grant date	August 1, 2016
Conditions for vesting	Stock options are vested on the grant date.
Requisite service period	Not applicable
Exercise period	August 2, 2016 to August 1, 2046

\* Translated to the number of common stock.

## b. Size and status of stock options

For stock options which existed during the consolidated fiscal year ended March 31, 2017 the number of stock options is translated to the number of common stock.

## (i) Number of stock options

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Before vesting:			
At the end of previous fiscal year	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding	—	—	—
After vesting:			
At the end of previous fiscal year	280,500 shares	180,000 shares	209,200 shares
Vested	—	—	—
Exercised	26,800 shares	18,900 shares	24,000 shares
Forfeited	—	—	—
Exercisable	253,700 shares	161,100 shares	185,200 shares

  

	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)
Before vesting:		
At the end of previous fiscal year	—	—
Granted	—	379,800 shares
Forfeited	—	—
Vested	—	379,800 shares
Outstanding	—	—
After vesting:		
At the end of previous fiscal year	168,200 shares	—
Vested	—	379,800 shares
Exercised	17,100 shares	—
Forfeited	—	—
Exercisable	151,100 shares	379,800 shares

## (ii) Unit price information

	T&D Holdings, Inc. stock subscription rights (1st series)	T&D Holdings, Inc. stock subscription rights (2nd series)	T&D Holdings, Inc. stock subscription rights (3rd series)
Exercise price	1 yen	1 yen	1 yen
Average stock price at the time of exercise	1,358 yen	1,428 yen	1,267 yen
Fair value at the granted date	685 yen	1,143 yen	1,153 yen

  

	T&D Holdings, Inc. stock subscription rights (4th series)	T&D Holdings, Inc. stock subscription rights (5th series)
Exercise price	1 yen	1 yen
Average stock price at the time of exercise	1,026 yen	—
Fair value at the granted date	1,708 yen	918 yen

## (3) Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted during the consolidated fiscal year ended March 31, 2017 is as follows:

## a. Valuation method

Black-Scholes model

## b. Principal parameters used and their estimation method

	T&D Holdings, Inc. stock subscription rights (5th series)
Stock price volatility (Note 1)	36.84%
Expected remaining period (Note 2)	5.89 years
Expected dividends (Note 3)	30.0 yen
Risk-free interest rate (Note 4)	(0.273)%

## Notes:

1. Calculated based on the daily closing price of the Company's common stock in regular transactions from September 13, 2010 to August 1, 2016.
2. A period from the granted date to the average time when options are expected to be exercised is applied.
3. Calculated based on the actual dividends for the fiscal year ended March 31, 2016.
4. Based on Japanese government bond interest rate with a maturity corresponding to the expected remaining period.

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

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

## Note 27 Asset Retirement Obligations

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

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Balance at the beginning of the year	¥1,877	¥1,916	\$17,085
Time progress adjustment	39	40	361
Balance at the end of the year	¥1,916	¥1,957	\$17,447

## Note 28 Real Estate for Rent

Some subsidiaries own real estate for rent, consisting mainly of office buildings in major cities in Japan. Their carrying amount, net increase/decrease and market value at the end of the year are as follows:

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Carrying amount:			
Balance at the beginning of the year	¥195,166	¥196,945	\$1,755,461
Net increase (decrease)	1,778	5,808	51,775
Balance at the end of the year	196,945	202,753	1,807,236
Market value at the end of the year	¥229,389	¥244,850	\$2,182,459

Notes:

- The carrying amount represents acquisition cost less accumulated depreciation and accumulated impairment losses. Balances at the end of the year for the years ended March 31, 2016 and 2017 include amounts related to asset retirement obligations of ¥196 million and ¥152 million (\$1,355 thousand), respectively.
- For the year ended March 31, 2016, the net increase mainly consisted of purchase of real estate totaling ¥15,707 million and the net decrease mainly consisted of sales of real estate, depreciation and impairment losses totaling ¥4,936 million, ¥4,208 million and ¥3,449 million, respectively.  
For the year ended March 31, 2017, the net increase mainly consisted of purchase of real estate totaling ¥11,830 million (\$105,449 thousand) and the net decrease mainly consisted of depreciation totaling ¥4,090 million (\$36,459 thousand).
- Market value at the end of the year of major properties is calculated based on their appraisal value. The value of other properties is calculated in-house based on the posted price.

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

	¥ millions		US\$ thousands
Years ended March 31,	2016	2017	2017
Ordinary revenues	¥14,662	¥14,926	\$133,050
Ordinary expenses	9,756	9,913	88,367
Ordinary profit	4,906	5,012	44,682
Other losses	(3,886)	(1,065)	(9,499)

Notes:

- Ordinary revenues and ordinary expenses constitute income from lease and corresponding expenses, such as depreciation, repair expenses, insurance expenses and taxes. These amounts are recorded in investment income and investment expenses.
- Other losses are recorded in extraordinary losses. These are mainly impairment losses for the years ended March 31, 2016 and 2017.

## Note 29 Segment Information

### (1) Overview of reportable segments

The reportable segments of the Company are components of the Company for which separate financial information is available. These segments are subject to regular review by the Company's Board of Directors to determine the allocation of business resources and evaluate business performances.

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

The Company's operations are therefore segmented by each of the life insurance companies and the Company's three reportable segments are the Taiyo Life Insurance Company segment, the Daido Life

Insurance Company segment and the T&D Financial Life Insurance Company segment.

Each of the Three Life Insurance Companies focuses on different markets. Taiyo Life focuses on the households market, Daido Life focuses on the small and medium enterprises market and T&D Financial Life focuses on independent insurance agents market and each company has different products under its unique marketing strategy.

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

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

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

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

Notes:

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

2. Adjustments are as follows:

(1) The downward adjustment of ¥(28,376 million) to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥26,902 million of ordinary revenues which is included in ordinary expenses of the consolidated statement of operation as provision for policy reserves.

(2) The downward adjustment of ¥(17,647 million) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates

(3) The downward adjustment of ¥(842,055 million) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.

(4) The downward adjustment of ¥(82,443 million) to segment liabilities is mainly due to the elimination of intersegment receivables and payables

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

Year ended March 31, 2017	Reportable segment						¥ millions	
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total	Adjustments	Amount on consolidated financial statements
Ordinary revenues	¥ 896,757	¥ 943,927	¥ 155,834	¥ 1,996,519	¥ 29,415	¥ 2,025,934	¥ (50,150)	¥ 1,975,784
Intergroup transfers	1,197	504	—	1,702	73,921	75,623	(75,623)	—
Total	897,955	944,431	155,834	1,998,221	103,336	2,101,558	(125,773)	1,975,784
Segment income (loss)	66,642	82,695	6,199	155,537	50,954	206,492	(49,264)	157,227
Segment assets	7,188,371	6,298,188	1,313,747	14,800,307	902,643	15,702,951	(811,783)	14,891,167
Segment liabilities	6,807,381	5,654,175	1,242,846	13,704,402	140,993	13,845,396	(51,001)	13,794,395
Others								
Depreciation of real estate for rent	2,458	2,461	—	4,919	—	4,919	(28)	4,891
Depreciation	6,366	4,146	242	10,755	636	11,391	(46)	11,345
Provision for (reversal of) policy reserve	99,248	203,237	(45,792)	256,693	261	256,954	—	256,954
Provision for (reversal of) reserve for policyholder dividends	11,738	13,636	(1)	25,374	—	25,374	—	25,374
Interest, dividends and income from real estate for rent	138,171	132,370	7,563	278,104	49,281	327,386	(50,757)	276,628
Interest expenses	550	26	0	578	38	617	(44)	573
Equity in earnings (losses) of affiliates	—	—	—	—	—	—	1	1
Extraordinary gains	232	—	—	232	67	300	—	300
Extraordinary losses	19,227	12,450	3,612	35,291	63	35,354	12	35,367
Impairment losses	119	1,352	3,308	4,779	—	4,779	—	4,779
Provision for reserve for price fluctuations	18,021	10,809	303	29,134	—	29,134	—	29,134
Taxes	6,941	13,491	446	20,879	529	21,408	12	21,421
Investments in affiliated companies	49	100	—	149	—	149	—	149
Increase in tangible fixed assets and intangible fixed assets	¥ 11,062	¥ 13,556	¥ 1,611	¥ 26,230	¥ 656	¥ 26,886	¥ (55)	¥ 26,831

Year ended March 31, 2017	Reportable segment						US\$ thousands	
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total	Adjustments	Amount on consolidated financial statements
Ordinary revenues	\$ 7,993,204	\$ 8,413,651	\$ 1,389,021	\$ 17,795,877	\$ 262,192	\$ 18,058,070	\$ (447,011)	\$ 17,611,058
Intergroup transfers	10,677	4,492	—	15,170	658,894	674,065	(674,065)	—
Total	8,003,882	8,418,144	1,389,021	17,811,048	921,087	18,732,135	(1,121,077)	17,611,058
Segment income (loss)	594,017	737,101	55,258	1,386,376	454,184	1,840,561	(439,118)	1,401,443
Segment assets	64,073,192	56,138,591	11,710,025	131,921,809	8,045,671	139,967,480	(7,235,796)	132,731,684
Segment liabilities	60,677,257	50,398,211	11,078,047	122,153,515	1,256,737	123,410,253	(454,596)	122,955,656
Others								
Depreciation of real estate for rent	21,914	21,939	—	43,853	—	43,853	(251)	43,601
Depreciation	56,744	36,961	2,161	95,866	5,675	101,541	(413)	101,128
Provision for (reversal of) policy reserve	884,649	1,811,546	(408,171)	2,288,024	2,327	2,290,352	—	2,290,352
Provision for (reversal of) reserve for policyholder dividends	104,631	121,548	(9)	226,170	—	226,170	—	226,170
Interest, dividends and income from real estate for rent	1,231,582	1,179,877	67,412	2,478,872	439,268	2,918,140	(452,428)	2,465,712
Interest expenses	4,907	240	8	5,156	343	5,499	(392)	5,107
Equity in earnings (losses) of affiliates	—	—	—	—	—	—	11	11
Extraordinary gains	2,074	—	—	2,074	599	2,674	—	2,674
Extraordinary losses	171,386	110,980	32,201	314,567	563	315,131	113	315,244
Impairment losses	1,065	12,053	29,486	42,606	—	42,606	—	42,606
Provision for reserve for price fluctuations	160,630	96,351	2,709	259,691	—	259,691	—	259,691
Taxes	61,872	120,251	3,982	186,106	4,718	190,825	111	190,936
Investments in affiliated companies	444	891	—	1,335	—	1,335	—	1,335
Increase in tangible fixed assets and intangible fixed assets	\$ 98,601	\$ 120,834	\$ 14,364	\$ 233,800	\$ 5,852	\$ 239,653	\$ (493)	\$ 239,159

## Notes:

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

2. Adjustments are as follows:

- (1) The adjustment of ¥(50,150 million) [\$ (447,011 thousand)] to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥45,792 million [\$408,171 thousand] of ordinary revenues which is included in ordinary expenses of the consolidated statement of operation as provision for policy reserves.
- (2) The adjustment of ¥(49,264 million) [\$ (439,118 thousand)] to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.
- (3) The adjustment of ¥(811,783 million) [\$ (7,235,796 thousand)] to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.
- (4) The adjustment of ¥(51,001 million) [\$ (454,596 thousand)] to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

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

[Related information]

For the year ended March 31, 2016

# 1. Information by product and service

## Sales to external customers

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

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

## 2. Information by geographic area

### (1) Net sales

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

### (2) Tangible fixed assets

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

## 3. Information by major customer

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

For the year ended March 31, 2017

# 1. Information by product and service

## Sales to external customers

	¥ millions				
Year ended March 31, 2017	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	¥654,379	¥766,336	¥80,918	¥3,600	¥1,505,234
Insurance premiums	654,088	764,993	78,759	3,600	1,501,442
Individual insurance and individual annuities	545,127	699,013	78,603	—	1,322,744
Group insurance	32,808	25,288	—	—	58,096
Group annuities	74,846	39,702	133	—	114,681
Others	1,307	989	22	3,600	5,920
Ceded reinsurance recoveries	¥ 290	¥ 1,342	¥ 2,159	¥ —	¥ 3,792

	US\$ thousands				
Year ended March 31, 2017	Taiyo Life	Daido Life	T&D Financial Life	Others	Total
Income from insurance premiums	\$5,832,777	\$6,830,699	\$721,262	\$32,096	\$13,416,836
Insurance premiums	5,830,189	6,818,731	702,018	32,096	13,383,036
Individual insurance and individual annuities	4,858,962	6,230,622	700,628	—	11,790,213
Group insurance	292,437	225,403	—	—	517,841
Group annuities	667,138	353,882	1,189	—	1,022,210
Others	11,650	8,823	199	32,096	52,770
Ceded reinsurance recoveries	\$ 2,587	\$ 11,967	\$ 19,244	\$ —	\$ 33,799

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

2. Information by geographic area

(1) Net sales

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

(2) Tangible fixed assets

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

3. Information by major customer

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

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

For the years ended March 31, 2016 and 2017

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

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

For the years ended March 31, 2016 and 2017: not applicable.

[Information on gains on negative goodwill by reportable segment]

For the years ended March 31, 2016 and 2017: not applicable.

[Related party information]

1. Related party transactions

For the years ended March 31, 2016 and 2017: not applicable.

2. Notes on the parent company or any important affiliated company

For the years ended March 31, 2016 and 2017: not applicable.

# Note 30 Per Share Information

		¥	US\$
Years ended March 31,	2016	2017	2017
Net assets per share	¥1,865.94	¥1,727.69	\$15.39
Net income per share	111.00	117.81	1.05
Net income per share (fully diluted)	109.32	115.59	1.03

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

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Net income per share:			
Profit attributable to owners of parent	¥72,547	¥75,187	\$670,179
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shareholders	¥72,547	¥75,187	\$670,179

		Shares
Weighted-average number of common stocks outstanding	653,556,609	638,194,089

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Net income per share (fully diluted):			
Adjusted profit attributable to owners of parent	¥(16)	¥(20)	\$(184)
Amortization of bond premium (after tax)	¥(16)	¥(20)	\$(184)

		Shares
Increase in common stock	9,884,916	12,115,431
Convertible bond	9,094,039	11,104,941
Subscription rights to shares	790,877	1,010,490
Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect	—	—

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

		¥ millions	US\$ thousands
As of March 31,	2016	2017	2017
Net assets	¥1,214,061	¥1,096,772	\$9,776,027
Deduction from net assets	3,521	3,915	34,904
Subscription rights to shares	926	1,178	10,501
Non-controlling interests	2,595	2,737	24,402
Net assets available to common shareholders	¥1,210,540	¥1,092,856	\$9,741,123

		Shares
The number of common stock outstanding	648,756,978	632,554,226

**Note 31** Significant Subsequent Events

The Company has resolved at its board of directors meeting held on May 15, 2017, the purchase of treasury shares under the provision in Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

## (1) Reasons for the purchase of treasury shares

To enhance shareholder return and improve capital efficiency.

## (2) Details of the purchase

- a. Type of shares to be purchased: Shares of common stock
- b. Number of shares to be purchased: Up to 12,000,000 shares
- c. Total amount of the purchase: Up to ¥17,000 million (\$151,528 thousand)
- d. Period of the purchase: From May 16, 2017 to July 14, 2017
- e. Method of the purchase: Open-market repurchase by the trust method

## (3) Results of the purchase

- a. Total number of purchased shares: 10,612,300 shares
- b. Total cost of the purchase: ¥16,999 million (\$151,527 thousand)
- c. Period of the purchase: From May 19, 2017 to June 13, 2017, on the basis of execution date