



Annual Report 2017 (Integrated Edition)

Year ended March 31, 2017

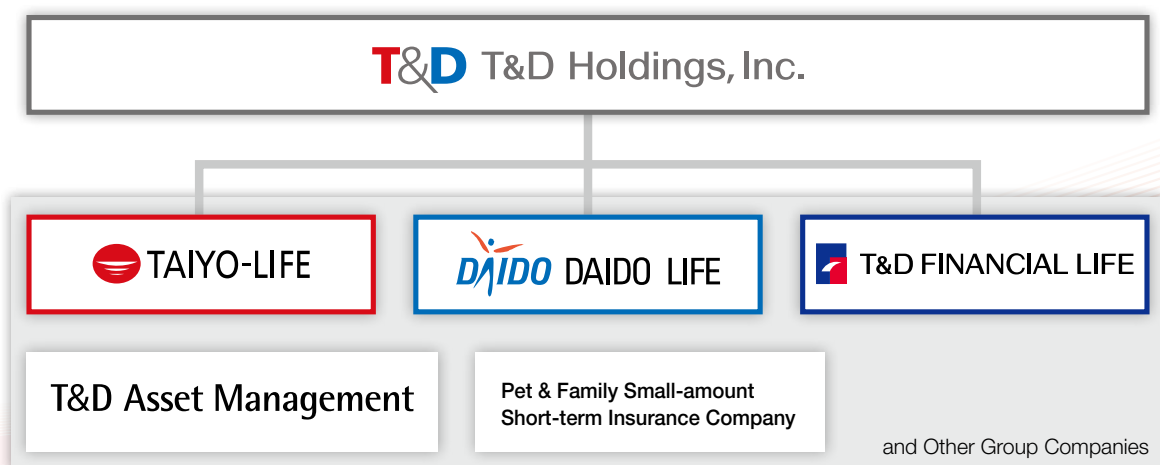
T&D

Try & Discover

T&D Holdings, Inc.

Profile of the T&D Life Group

The T&D Life Group is a listed life insurance group which centers on three life insurance companies, Taiyo Life, Daido Life and T&D Financial Life. Under the holding company “T&D Holdings, Inc.,” the three life insurance companies, which have different business models, maximize their uniqueness and expertise in their respective specialized markets, thereby steadily and sustainably improving Group corporate value.



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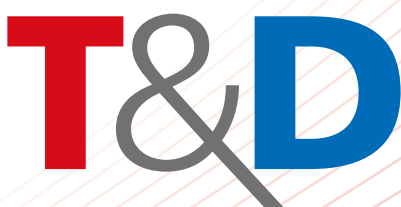
Try & Discover for the Next Stage

—A Three-Year Period for Expanding Our Growth Areas—

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Editorial Note

Annual Report 2017 (Integrated Edition) has the theme “Try & Discover for the Next Stage” and reports on the initiatives and results of the first year of the T&D Life Group's three-year Medium-Term Management Plan, which was launched in April 2016. In addition, the annual report clearly explains the business models and business strategies of the Group companies, including Taiyo Life, Daido Life, and T&D Financial Life, and foundations supporting the management of the Group such as “ERM (Enterprise Risk Management),” “Corporate Governance,” and “CSR.”



T&D Life Group's Corporate Philosophy

With our “Try & Discover” motto for creating value, we aim to be a group that contributes to all people and societies.

T&D Life Group's Management Vision

[From the customers' point of view]
 We aim to be the top insurance company in terms of customer satisfaction by providing the best products and services.

[From the shareholders', investors', and market's point of view]
 We aim to be a major life insurance group with a strong market presence by increasing our corporate value in a steady and sustainable manner by taking on new challenges toward growth.

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Forward-looking Statements

This report contains forward-looking statements about T&D Holdings' future revenue plan, strategy, philosophy, and earnings forecasts which involve factors of risk and uncertainty. Such statements are based on the Company's current expectations which could cause actual results to differ materially from those described in the forward-looking statements. Factors which could influence the actual results include, but are not limited to, (I) general economic conditions, in particular, conditions in the life insurance market on which the T&D Life Group centers, (II) financial market trends, (III) levels and trends in mortality rate and morbidity rate, (IV) persistency rate, (V) interest rate levels, (VI) fluctuation in currency exchange rates, (VII) other general competitive factors, (VIII) changes in laws and regulations, including the tax treatment of insurance premiums, and (IX) changes in the policies of the government and/or regulatory authorities. The Company, therefore, wishes to caution readers not to place undue reliance on these forward-looking statements. Furthermore, the Company undertakes no obligation to update any forward-looking statements as a result of new information, future events, or other developments.

A History of Development Extending over 120 Years

T&D Life Group was launched through the announcement of a broad business alliance between Taiyo Life Insurance Company and Daido Life Insurance Company, both founded over 100 years ago, in January 1999.

Since T&D Financial Life Insurance Company joined the Group in October 2001, the three life insurance companies have continued to grow creating group synergies between the three different markets of households, SMEs, and independent insurance agents.



Broad business alliance between Taiyo Life and Daido Life

In January 1999, Taiyo Life and Daido Life announced a broad business alliance and decided the Group name to be the "T&D Life Group" in June of the same year.

From left, President Kazuo Hirano of Daido Life (at the time, and the same for other captions) and President Masahiro Yoshiike of Taiyo Life

T&D Financial Life joined T&D Life Group

Taiyo Life and Daido Life jointly acquired shares of T&D Financial Life (former Tokyo Life Insurance Company), which started operations as a member of the T&D Life Group.



From left, President Masahiro Yoshiike of Taiyo Life, President Osamu Mizuyama of T&D Financial Life, and President Naoteru Miyato of Daido Life



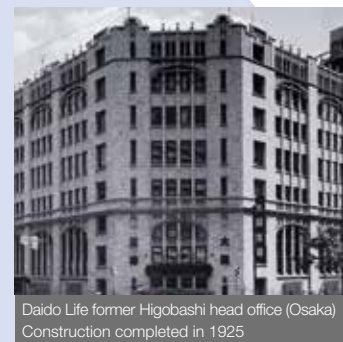
Taiyo Life founded

Taiyo Life's predecessor company, Nagoya Life Insurance Co., Ltd., was established in fourth of the existing life insurance companies in Japan.

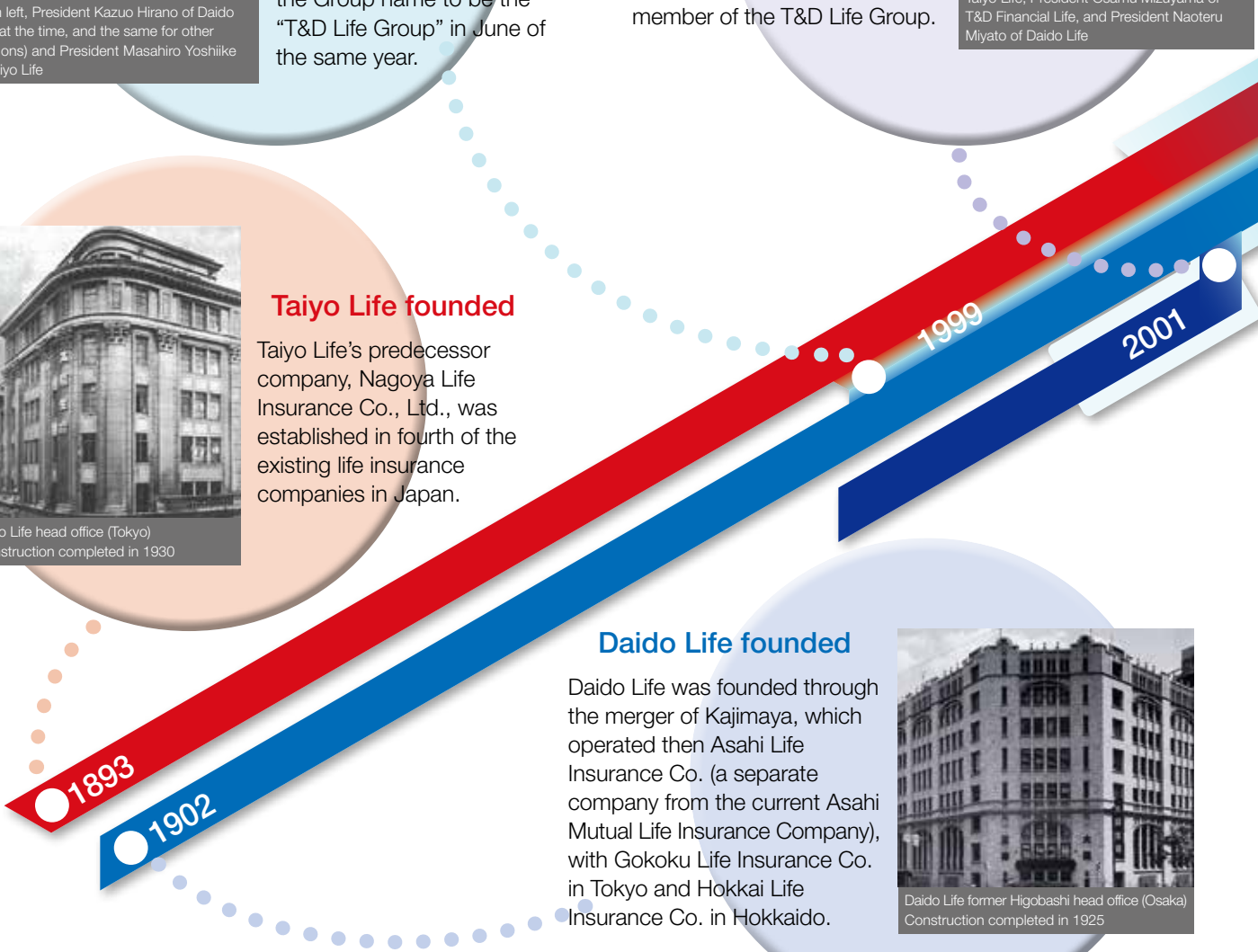
Taiyo Life head office (Tokyo)
Construction completed in 1930

Daido Life founded

Daido Life was founded through the merger of Kajimaya, which operated then Asahi Life Insurance Co. (a separate company from the current Asahi Mutual Life Insurance Company), with Gokoku Life Insurance Co. in Tokyo and Hokkai Life Insurance Co. in Hokkaido.



Daido Life former Higobashi head office (Osaka)
Construction completed in 1925



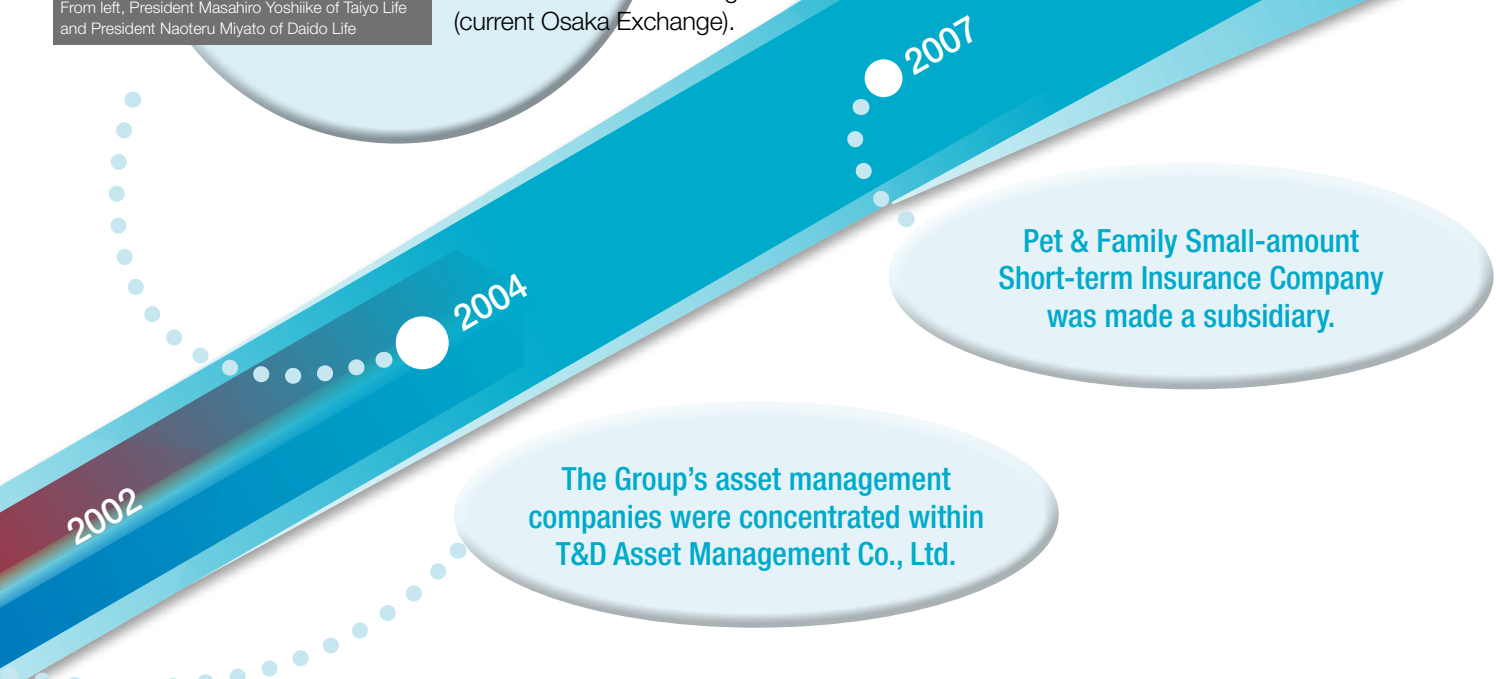
Next Stage



From left, President Masahiro Yoshiike of Taiyo Life and President Naoteru Miyato of Daido Life

Establishment of T&D Holdings, Inc.

In April 2004, T&D Holdings, Inc. was established as Japan's first holding company centered on the life insurance business. It was listed on the Tokyo Stock Exchange and Osaka Securities Exchange (current Osaka Exchange).



2002

The Group's asset management companies were concentrated within T&D Asset Management Co., Ltd.

2004

Pet & Family Small-amount Short-term Insurance Company was made a subsidiary.

2007

Try & Discover for the Next Stage

Business development in the household market



Delivering Optimal Comprehensive Coverage to Households

Business development in the "small and medium enterprise (SME)" market



Protecting SMEs and Their Employees from a Wide Range of Risks

Business development in the independent insurance agent market



Expanding the Group's Presence in the Independent Insurance Agent Market

Corporate Value (EV*1)

¥2,290.5 billion*2

*1 EV (Embedded Value): The sum of adjusted net worth and value of in-force business. EV serves as a measure of corporate value and a performance indicator for life insurance companies.
*2 As of March 31, 2017

Businesses Handled by the Three Core Life Insurance Companies

The three core life insurance companies, Taiyo Life, Daido Life, and T&D Financial Life, each possesses different “markets,” “sales channels,” and “products,” and operates highly unique and specialized businesses.

Business for the household market

 TAIYO-LIFE



In-house sales representatives sell products which include comprehensive coverage centered on death benefit and medical/nursing care products.

Business for the small and medium-sized enterprise (SME) market

 DAIDO LIFE



In-house sales representatives and agents (tax accountants, etc.) sell products which include term life insurance (death protection) and disability benefit, etc.

Business for the independent insurance agent market

 T&D FINANCIAL LIFE



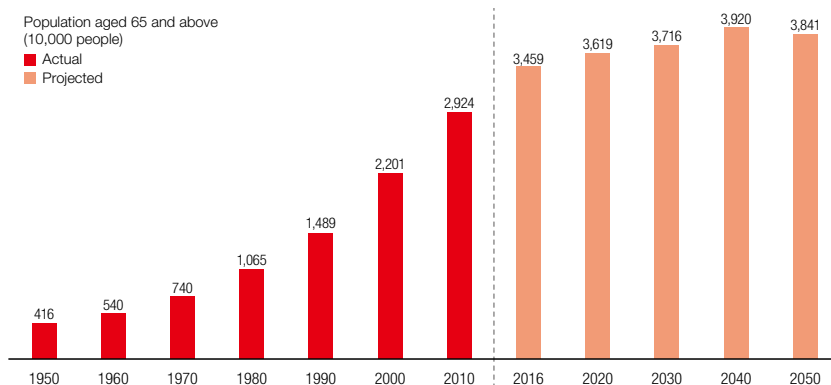
Independent insurance agents (financial institutions and insurance shops) sell products which include single-premium insurance (foreign currency-reference type, etc.) and income protection insurance.

Business for the Household Market



Market

Trends in Aging and Future Projections



Source: Until 2010, "Population Census," Ministry of Internal Affairs and Communications, and from 2016 onward based on National Institute of Population and Social Security Research, Results of projection with medium-fertility assumptions/medium-mortality assumptions of "Population Projection for Japan (2017)."

Increase in the senior population
Diversification of insurance needs

Our Solution



Develop the top brand in the senior market by delivering the best products and services, which preempt the changes of the times, to households.

- In-house sales representatives work in pairs to make individual home visits, listen to customers' needs and provide the necessary coverage
- Promote triune sales of "strengthening of face-to-face services through visits," "product development which preempts the changes of the times," and "further enhancement of the in-house sales representative channel"



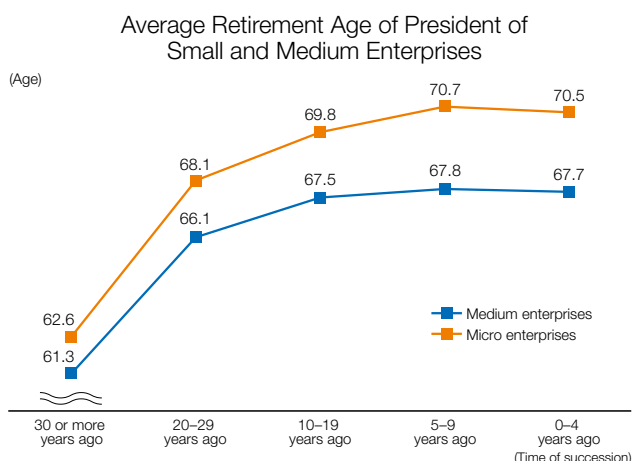
Business for the Small and Medium Enterprise (SME) Market



Market

Approximately
2 million
enterprises in Japan

Approximately
2 million
individual proprietors



Source: "2014 Economic Census for Business Frame," Statistics Bureau, Ministry of Internal Affairs and Communications

Source: Nomura Research Institute, Ltd., "Questionnaire Survey on SMEs' Business Succession," November 2012, commissioned by the Small and Medium Enterprise Agency.

Aging of SME owners,
prolonged tenure

Our Solution

DAIDO DAIDO LIFE

Aims to bring the greatest peace of mind and the utmost satisfaction to small and medium enterprise (SME) customers.

- Provide rational coverage responding to the various risks and necessary funding preparations encompassing SMEs
- Build a solid sales structure through business tie-ups with SME-related organizations and CPTA organizations

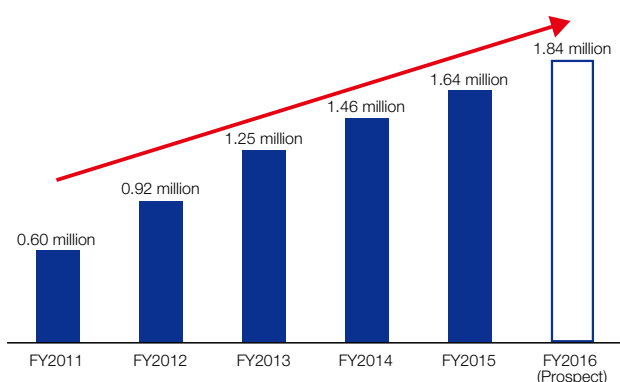


Business for the Independent Insurance Agent Market



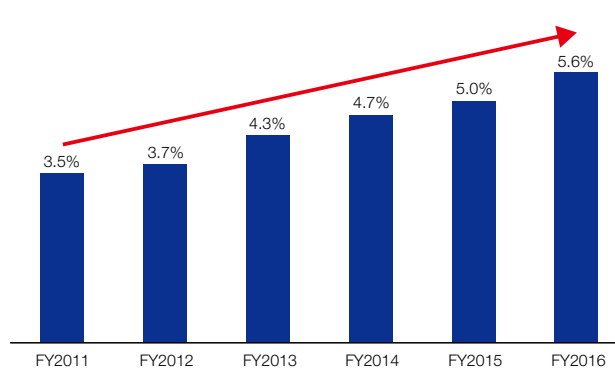
Market

Number of New Contracts at Insurance Shops



Source: Yano Research Institute Ltd.

Ratios of Taking Out Life Insurance at Banks in Past Five Years



Source: Japan Bankers Association, "Results of Consumer Survey on Bank OTC Insurance," February 2017

Expansion of the independent insurance agent market
Diversification of sales channels

Our Solution



T&D FINANCIAL LIFE

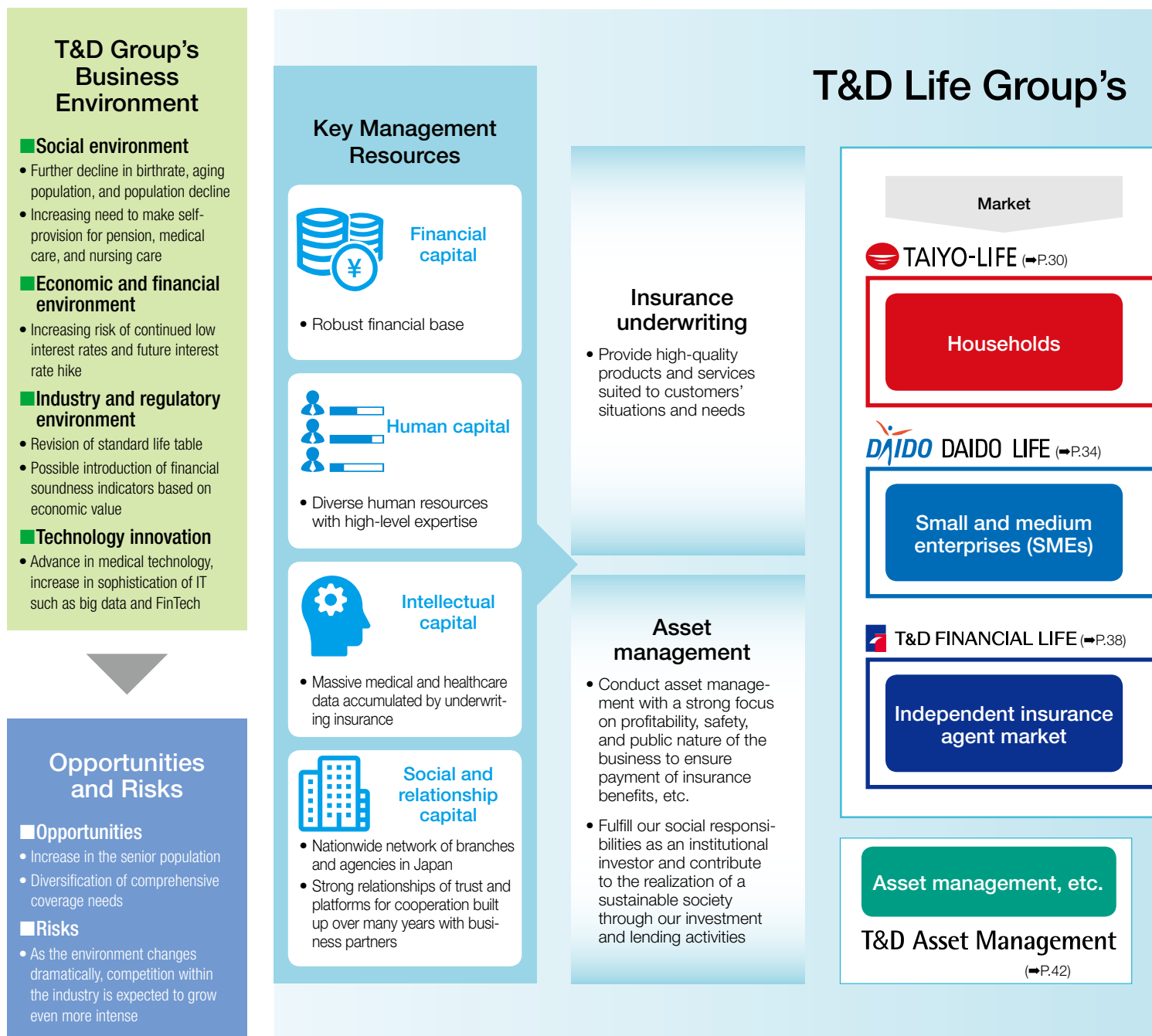
Offers distinctive products which meet the wide-ranging needs of its customers.

- Providing single-premium wealth-accumulation products differentiated by types of benefit and level-premium protection-type products with competitive pricing, etc.
- Expand the sales network of insurance agents through financial institutions and insurance shops



T&D Life Group's Value Creation

T&D Life Group will contribute to solutions for social issues through the life insurance business in pursuing maximization of “satisfaction of all stakeholders.”



Strategic Corporate Management
(⇒P.44)

Value Created by T&D Insurance Group

(⇒P.17)

Business Activities

Sales channel

Products

In-house sales representatives

Comprehensive coverage including death benefit and medical/nursing care products

In-house sales representatives, Agents
(tax accountants, etc.)

Term life insurance (death benefit), disability benefit, etc.

Independent insurance agents (financial institutions and insurance shops)

Single-premium insurance (foreign currency-reference type, etc.) Income protection insurance, etc.

Pet insurance

Pet & Family Small-amount Short-term Insurance Company
(⇒P.43)

and Other Group Companies

Robust Corporate Governance

(⇒P.46)



Key Business Performance

Years ended March 31

					¥ billions	%	US\$ billions*1
	2013	2014	2015	2016	2017	YoY Change	2017
Sales Results*2							
Annualized premium basis							
Annualized premiums of new policies	¥ 164.2	¥ 127.9	¥ 161.3	¥ 132.6	¥ 137.0	3.3	\$ 1.2
Third Sector products	15.6	16.5	20.8	24.6	28.6	16.5	0.2
Annualized premiums of total policies	1,447.7	1,420.5	1,446.4	1,468.9	1,498.4	2.0	13.3
Third Sector products	160.9	163.4	169.8	179.1	191.1	6.7	1.7
Policy amount basis							
New policy amount	¥ 7,158.9	¥ 6,639.8	¥ 7,227.2	¥ 6,685.9	¥ 7,441.4	11.3	\$ 66.3
Policy amount in force	59,996.5	60,699.8	62,117.7	62,998.1	64,612.8	2.6	575.9
Status of Profit and Loss							
Ordinary revenues	¥ 2,418.9	¥ 2,085.7	¥ 2,412.1	¥ 2,025.9	¥ 1,975.7	(2.5)	\$ 17.6
Income from insurance premiums	1,940.9	1,609.7	1,958.0	1,574.5	1,505.2	(4.4)	13.4
Core profit	182.4	210.2	182.7	153.0	159.9	4.5	1.4
Ordinary profit	151.6	186.2	188.9	171.4	157.2	(8.3)	1.4
Profit attributable to owners of parent	63.7	78.9	94.2	72.5	75.1	3.6	0.6
Adjusted net income	78.0	92.4	94.2	83.3	91.7	10.1	0.8
EV (Embedded Value)*3							
EV	¥ 1,664.4	¥ 1,970.1	¥ 2,298.0	¥ 1,893.7	¥ 2,290.5	¥396.8	\$ 20.4
Value of new business	61.6	89.1	93.0	56.3	119.5	63.1	1.0
Shareholder Return							
Dividends per share (¥, US\$)	¥ 22.5	¥ 25.0	¥ 25.0	¥ 30.0	¥ 32.5	¥ 2.5	\$ 0.28
Share buybacks	approx. 3.0	approx. 10.0	approx. 30.0	approx. 19.0	approx. 17.0	approx. (2.0)	0.1
Total return to shareholders	approx. 18.1	approx. 26.8	approx. 46.6	approx. 38.4	approx. 37.5	approx. (0.9)	0.3
Financial Soundness							
Consolidated solvency margin ratio	943.8%	1,115.0%	1,220.7%	1,155.8%	1,105.1%	(50.7) pt	—
ESR	150%	196%	217%	162%	175%	13 pt	—
Stock Price Information (Fiscal year-end)							
Stock price (¥, US\$)	¥ 1,136.0	¥ 1,227.0	¥ 1,654.5	¥ 1,049.5	¥ 1,616.0	54.0	\$ 14.40
Market capitalization	774.1	836.1	1,127.5	715.2	1,101.2	54.0	9.8
Social/Environmental Data							
Number of employees*4	19,455	18,806	18,319	18,409	18,543		
Male	3,991	3,852	3,702	3,622	3,564		
Female	15,464	14,954	14,617	14,787	14,979		
Ratio of female managers*4, *5	11.1%	11.7%	13.0%	14.5%	14.9%		
Ratio of employees with disabilities*4	2.04%	2.15%	2.20%	2.27%	2.22%		
Electricity consumption (MWh=1,000 kWh)	106,440	99,302	95,866	96,348	97,705		
Office paper consumption (t)	162	163	160	151	123		
Green purchasing ratio (%)	95.7%	95.4%	96.0%	95.9%	96.0%		

Notes

*1 U.S. dollar figures have been calculated for convenience only, at the rate of U.S.\$1 = ¥112.19.

*2 The total of the three life insurance companies (Taiyo Life, Daido Life, and T&D Financial Life) which comprises individual insurance, individual annuities and Daido Life's J-type product, T-type product and Kaigo Relief. The new policy amount includes the net increase from conversions.

*3 Figures are MCEV (Group MCEV) data.

*4 The data is the total of the three life insurance companies.

*5 The data is as of April 1, in the month following the fiscal year-end.

Fiscal 2016 Management Review

Sales Results

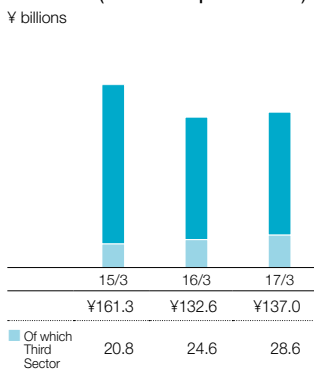
Annualized Premiums

In fiscal 2016, annualized premiums of new policies for the three life insurance companies were ¥137.0 billion, up 3.3% from the previous fiscal year. Of this, the annualized premiums of new policies for medical benefits, living benefits and others (Third Sector products) rose substantially by 16.5% from the previous fiscal year to ¥28.6 billion. As a result, annualized premiums of total policies were ¥1,498.4 billion, up 2.0% from the previous fiscal year-end. (Of this, annualized premiums of Third Sector

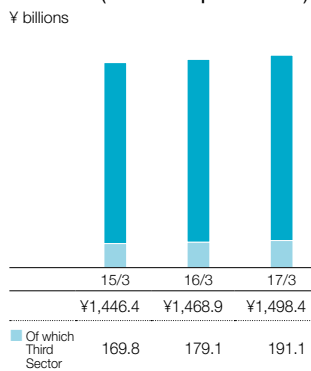
products were ¥191.1 billion, up 6.7% from the previous fiscal year-end.)

Taiyo Life is focusing on protection-type annualized premiums of new policies, which represent the protection portion of the annualized premiums of new policies, mainly excluding savings-type products. Protection-type annualized premiums of new policies increased 10.1% year on year to ¥17.0 billion, owing to solid sales of relaxed-underwriting type products. As a result, protection-type annualized premiums of total policies were ¥152.7 billion.

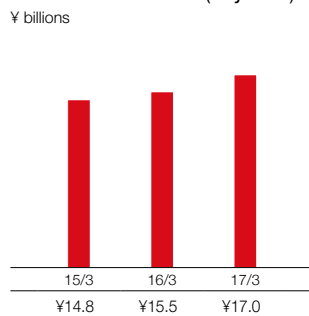
Annualized Premiums of New Policies (Three companies total)



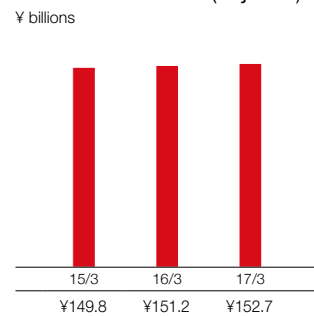
Annualized Premiums of Total Policies (Three companies total)



Protection-type Annualized Premiums of New Policies (Taiyo Life)



Protection-type Annualized Premiums of Total Policies (Taiyo Life)



New Policy Amount and Policy Amount in Force*

The new policy amount of the three life insurance companies was ¥7,441.4 billion, up 11.3% from the previous fiscal year. The total policy amount in force of the three life insurance companies was ¥64,612.8 billion, up 2.6% from the previous fiscal year-end.

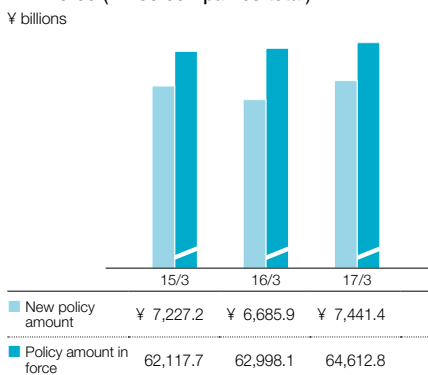
Daido Life's new policy amount was up 18.7% year on year to ¥5,121.1 billion, due to growth in sales of individual term life insurance and disability benefit products (*J-type product* (non-participating critical illness insurance) and *T-type product* (non-participating disability protection insurance)), which are Daido Life's core products. The surrender and lapse rate improved by 0.04 percentage points from the

previous fiscal year to 6.44%.

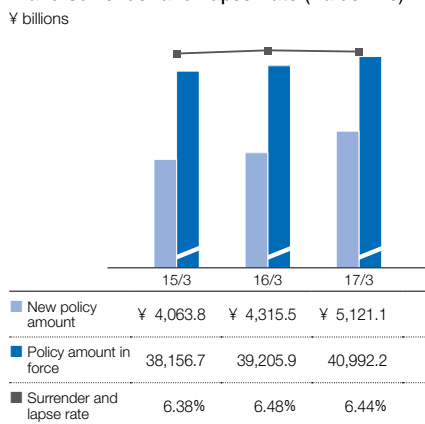
As a result, the policy amount in force reached an all-time high of ¥40,992.2 billion, up 4.6% from the previous fiscal year-end.

T&D Financial Life's new policy amount was down 0.3% from the previous fiscal year to ¥235.4 billion, due to the suspension of sales of yen-denominated single-premium whole life insurance products under the low interest rate environment. The surrender and lapse rate improved by 0.29 percentage points from the previous fiscal year to 3.12%. As a result, the policy amount in force was ¥1,879.3 billion, up 3.9% from the previous fiscal year-end.

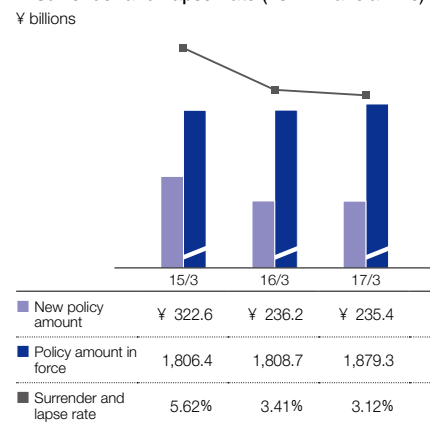
New Policy Amount and Policy Amount in Force (Three companies total)



New Policy Amount, Policy Amount in Force, and Surrender and Lapse Rate (Daido Life)



New Policy Amount, Policy Amount in Force, and Surrender and Lapse Rate (T&D Financial Life)



* The total of individual insurance, individual annuities, and Daido Life's *J-type product*, *T-type product* and *Kaigo Relief*. The new policy amount includes the net increase from conversions.

Fiscal 2016 Management Review

Status of Profit and Loss

Ordinary Profit/Profit Attributable to Owners of Parent (Consolidated)

Ordinary profit decreased ¥14.2 billion year on year to ¥157.2 billion, mainly due to an increase in losses from derivatives, net.

Profit attributable to owners of parent increased ¥2.6 billion year on year to ¥75.1 billion. This increase was mainly due to a decrease in total income taxes owing to the impact of tax effects and other factors.

Core Profit

Core profit for the three life insurance companies increased ¥6.8 billion year on year to ¥159.9 billion.

Core profit of Taiyo Life decreased by ¥0.3 billion to ¥53.4 billion while that of Daido Life increased by ¥0.8 billion to ¥105.6 billion. The main factor decreasing core profit was the decrease in interest, dividends and income from real estate for rent, while the main factors increasing core profit included the decrease in provision for reserve for employees' retirement benefits. With these factors mostly cancelling each other out, core profit for both Taiyo Life and Daido Life were mostly unchanged year on year.

Core profit of T&D Financial Life was ¥0.8 billion, turning positive following an increase of ¥6.3 billion from the previous fiscal year. This was mainly due to an increase in the reversal of policy reserves related to accumulation-rate type whole life insurance in line with the rise in domestic interest rates.

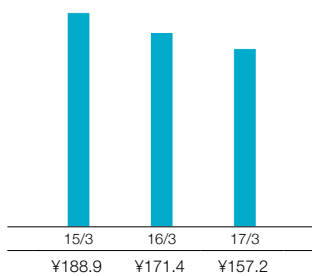
Positive spread for the three life insurance companies decreased by ¥10.3 billion year on year to ¥29.8 billion.

Fiscal 2017 Earnings Forecasts

Ordinary profit is projected to decrease by 4.6% to ¥150.0 billion, mainly based on an anticipated decline in interest, dividends and income from real estate for rent. Profit attributable to owners of parent is projected to decline by 1.6% to ¥74.0 billion. Further, considering the decline in provisions of additional reserves in excess of the legal standard requirements for the reserve for price fluctuations, adjusted net income, which represents profit available for shareholder returns, is forecast to decrease 13.9% to ¥79.0 billion.

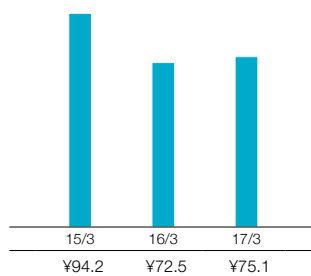
Ordinary Profit

¥ billions



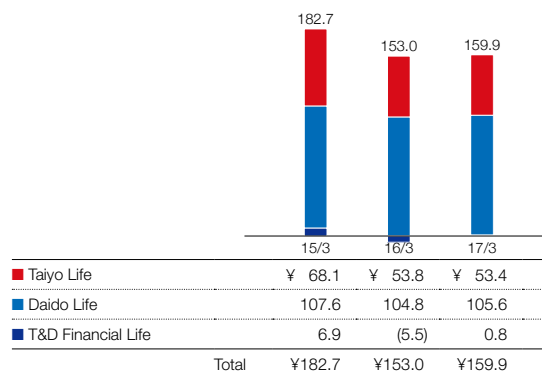
Profit Attributable to Owners of Parent

¥ billions



Core Profit

¥ billions



Fiscal 2017 Full-year Earnings Forecasts (Consolidated)

¥ billions

	Fiscal 2017 full-year forecasts	Fiscal 2016 (actual)	Percent change	Fiscal 2015 (for reference)
Ordinary revenues	¥1,900.0	¥1,975.7	(3.8)%	¥2,025.9
Ordinary profit	150.0	157.2	(4.6)%	171.4
Net income* ¹	74.0	75.1	(1.6)%	72.5
Adjusted net income* ²	79.0	91.7	(13.9)%	83.3

*1 Profit attributable to owners of parent

*2 Figures are disclosed for reference.

Fiscal 2017 Full-year Earnings Forecasts (Three Life Insurance Companies)

¥ billions

	Taiyo Life		Daido Life		T&D Financial Life	
	Fiscal 2017 (forecasts)	Fiscal 2016 (actual)	Fiscal 2017 (forecasts)	Fiscal 2016 (actual)	Fiscal 2017 (forecasts)	Fiscal 2016 (actual)
Ordinary revenues	¥770.0	¥897.9	¥970.0	¥944.4	¥220.0	¥155.8
Ordinary profit	62.0	66.6	86.0	82.6	1.0	6.1
Net income	29.0	28.9	44.0	43.1	0.0	2.1
Sales performance indicators	Protection-type annualized premiums* ¹		Policy amount* ²		Policy amount* ²	
New policy sales results	16.0	17.0	4,350.0	5,121.1	370.0	235.4
Policy in force sales results	154.0	152.7	41,780.0	40,992.2	2,060.0	1,879.3
Income from insurance premiums	500.0	654.3	800.0	766.3	200.0	80.9
Core profit	53.0	53.4	95.0	105.6	(2.0)	0.8
Positive spread	8.0	7.7	25.0	25.0	(2.0)	(2.9)

*1 A performance indicator of Taiyo Life, which is the sum of the protection portion of the annualized premiums of policies, mainly excluding savings-type products.

*2 New policy amount and policy amount in force are the sum of individual insurance and annuities. New policy amount includes net increase from conversions.

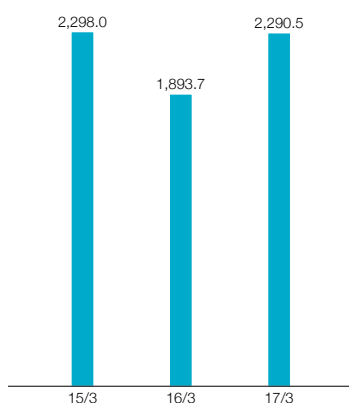
For Daido Life, new policy amount and policy amount in force in the above table includes J-type product, T-type product and Kaigo Relief.

EV (Embedded Value)

The Group MCEV as of March 31, 2017 was ¥2,290.5 billion, an increase of ¥396.8 billion from the previous fiscal year-end. This increase was mainly due to new sales of insurance policies, improvement in insurance assumptions and the rise in domestic interest rates. The value of new business increased by ¥63.1 billion year on year to ¥119.5 billion, mainly due to favorable sales results as well as improvement in insurance assumptions and the rise in domestic interest rates.

Group MCEV

¥ billions

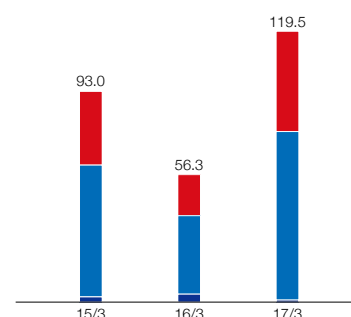


	15/3	16/3	17/3
Group MCEV (①+②)	¥2,298.0	¥1,893.7	¥2,290.5*
MCEV (①)	2,271.2	1,867.2	2,262.4
Taiyo Life	868.6	725.7	777.5
Daido Life	1,306.7	1,078.0	1,417.4
T&D Financial Life	95.8	93.4	97.4
Net asset value of non-covered business (②)	26.7	26.4	28.1

* The Group MCEV applying the ultimate forward rate (UFR) was approximately ¥2.41 trillion as of March 31, 2017.

Value of New Business

¥ billions



	15/3	16/3	17/3
■ Taiyo Life	¥32.5	¥18.1	¥44.2
■ Daido Life	58.1	34.6	74.3
■ T&D Financial Life	2.3	3.5	0.9
Three companies total	93.0	56.3	119.5* ¹
New business margin* ²	5.1%	3.5%	6.3%

*¹ The value of new business applying the ultimate forward rate (UFR) was approximately ¥142.9 billion as of March 31, 2017.

*² New business margin = Value of new business ÷ Present value of new business premiums

Return to Shareholders

In fiscal 2016, the Company provided a total return to shareholders of approximately ¥37.5 billion, comprising a cash dividend of ¥32.5 per share, an increase of ¥2.5 from the previous fiscal year, and a share buyback of around 10.6 million shares at a total cost of approximately ¥17.0 billion.

From fiscal 2016, the Company has implemented interim dividends in order to increase opportunities to return profits to shareholders.

The Company plans to pay an annual dividend of ¥35 per share for fiscal 2017, including an interim dividend of ¥17.5.

Return to Shareholders and Adjusted Net Income

	15/3	16/3	17/3
Total return to shareholders (¥ billions)	approx. 46.6	approx. 38.4	approx. 37.5
Total dividends (¥ billions)	16.6	19.4	20.5
Dividends per share (¥)	25.0	30.0	32.5
Share buybacks (¥ billions)	approx. 30.0* ¹	approx. 19.0* ²	approx. 17.0* ³
Adjusted net income (¥ billions)	94.2	83.3	91.7
Profit attributable to owners of parent (¥ billions)	94.2	72.5	75.1
Excess amount of reserve for contingency and price fluctuations, after taxes (¥ billions)	—	10.8	16.5

1 The Company implemented a share buyback from May to July 2015 as a shareholder return for the FY2014 earnings.

2 The Company implemented a share buyback from May to July 2016 (approx. ¥14.0 billion) and from February to March 2017 (approx. ¥5.0 billion) as a shareholder return for the FY2015 earnings.

3 The Company implemented a share buyback from May to June 2017 as a shareholder return for the FY2016 earnings.

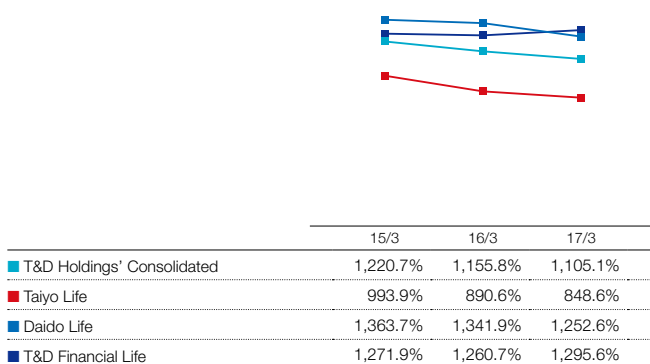
Fiscal 2016 Management Review

Financial Soundness

Solvency Margin Ratio

The solvency margin ratios in fiscal 2016 were 1,105.1% for T&D Holdings on a consolidated basis, 848.6% at Taiyo Life, 1,252.6% at Daido Life, and 1,295.6% at T&D Financial Life, indicating sufficient financial soundness.

◆ Solvency Margin Ratio

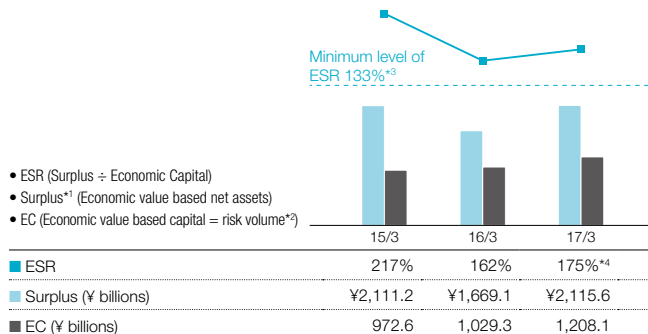


ESR

The economic solvency ratio, which represents economic value based capital adequacy, increased by 13 percentage points from the previous fiscal year-end to 175%.

The main reason for this increase was an increase in the surplus, which represents economic value based net assets, due to new sales of insurance policies, improvement in insurance assumptions, and the rise in domestic interest rates. This was despite an increase in the amount of asset management risk, primarily reflecting the rise in domestic interest rates.

◆ ESR



- ESR (Surplus ÷ Economic Capital)
- Surplus*1 (Economic value based net assets)
- EC (Economic value based capital = risk volume*2)

*1 The difference between assets and liabilities evaluated based on economic value. The evaluation of both assets and liabilities is calculated basically based on the same assumptions of MCEV. The cost of capital for risk margin has been set at 5% from the end of March 2017. It has been set referring to the Insurance Capital Standard (ICS) which the International Association of Insurance Supervisors (IAIS) is considering. The cost of capital for risk margin had been set at 6% on and before the end of March 2016.

*2 Risk volume represents the economic value based risk volume, calculated using an internal model (99.5% VaR, 1-year) after diversification effects.

Required capital for MCEV is calculated using the same internal model.

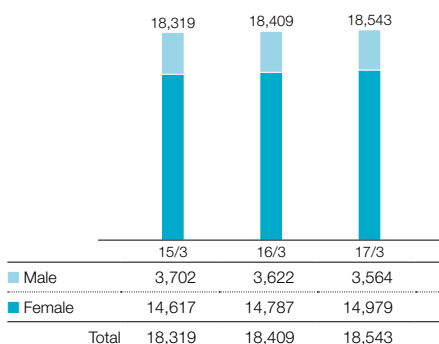
*3 Represents the capital level needed to cover a risk amount with VaR 99.93% assuming the current risk profile.

*4 ESR as of the end of March 2017 applying UFR was approximately 192%.

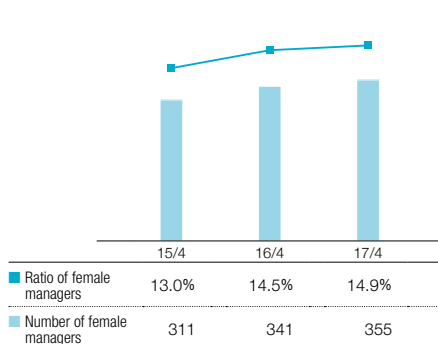
Social/Environmental Data

The T&D Life Group has been promoting to nurture a corporate culture where diverse human resources can feel job satisfaction and reach their potential.

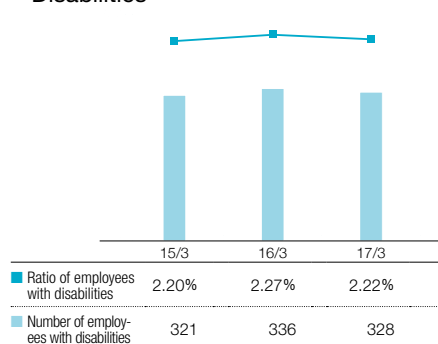
◆ Number of Employees*1



◆ Ratio/Number of Female Managers*1,2



◆ Ratio/Number of Employees with Disabilities*1



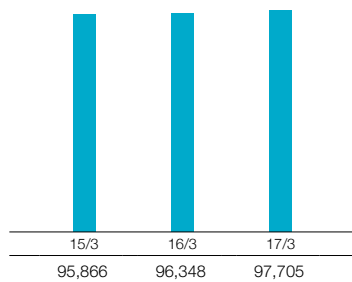
*1 The data is the sum of the three insurance companies.

*2 The data is as of April 1, in the month following the fiscal year-end.

In cooperation with Group companies, the T&D Life Group has set Group-wide targets related to environmental protection, and is working to achieve these targets in the course of its daily business activities.

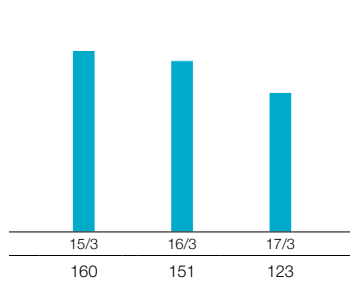
Electricity Consumption

MWh=1,000kWh

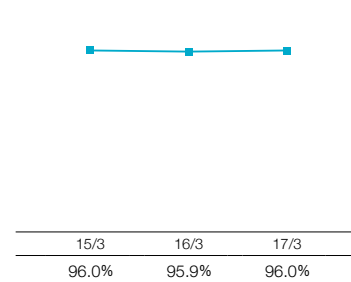


Office Paper Consumption

t



Green Purchasing Ratio



Inclusion in SRI Indexes

T&D Holdings is included in various socially responsible investment (SRI) indexes. SRI is an investment approach to select investment targets not only on the basis of financial considerations but also corporate responsibility performance, including contributions to the global environment and society.

T&D Holdings Is a Member of the Following SRI Indexes (as of August 1, 2017)

FTSE4Good Index Series



The FTSE4Good Index Series is an index developed by FTSE Russell of the U.K., which is a socially responsible investment index designed to select excellent companies from around the world.

FTSE Blossom Japan



The FTSE Blossom Japan Index is an index developed by FTSE Russell of the U.K., which is designed to select companies with an outstanding ability to address ESG (Environmental, Social and Governance) issues.

Morningstar Socially Responsible Investment Index



The Morningstar Socially Responsible Investment Index is Japan's first socially responsible investment index. It comprises the indexed stock prices of 150 companies selected by Morningstar Japan K.K. based on an evaluation of their outstanding social responsibility performance from among listed companies in Japan.

MSCI ESG Leaders Indexes



The MSCI ESG Leaders Indexes are indexes developed by MSCI of the U.S., which are designed to select companies with particularly outstanding ESG (Environmental, Social and Governance) performance.

MSCI Japan ESG Select Leaders Index



The MSCI Japan ESG Select Leaders Index is constructed by selecting companies with outstanding ESG evaluations from among the constituents of the MSCI Japan IMI Top 500 Index, which comprises the top 500 securities of the MSCI JAPAN Investable Market Index (IMI) in terms of market capitalization.

MSCI Japan Empowering Women Index (WIN)



The MSCI Japan Empowering Women Index (WIN) is constructed by selecting companies with excellent records of promoting women's participation in the workforce from among the constituents of the MSCI Japan IMI Top 500 Index, which comprises the top 500 securities of the MSCI JAPAN Investable Market Index (IMI) in terms of market capitalization.

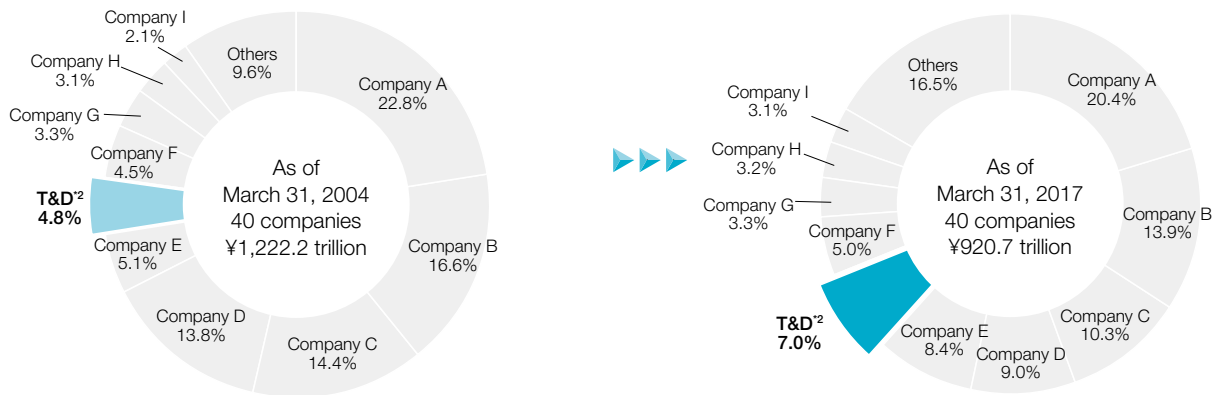
MSCI ESG Research logo disclaimer:

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T&D Life Group's Industry Position

Changes in Market Share

The T&D Life Group's market share based on policy amount in force*1 was 7.0% as of March 31, 2017. The Group's market share has steadily expanded compared with the combined share of Taiyo Life, Daido Life and T&D Financial Life as of March 31, 2004, prior to the establishment of T&D Holdings, Inc. in April 2004.



Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan, and the financial reports of each company.

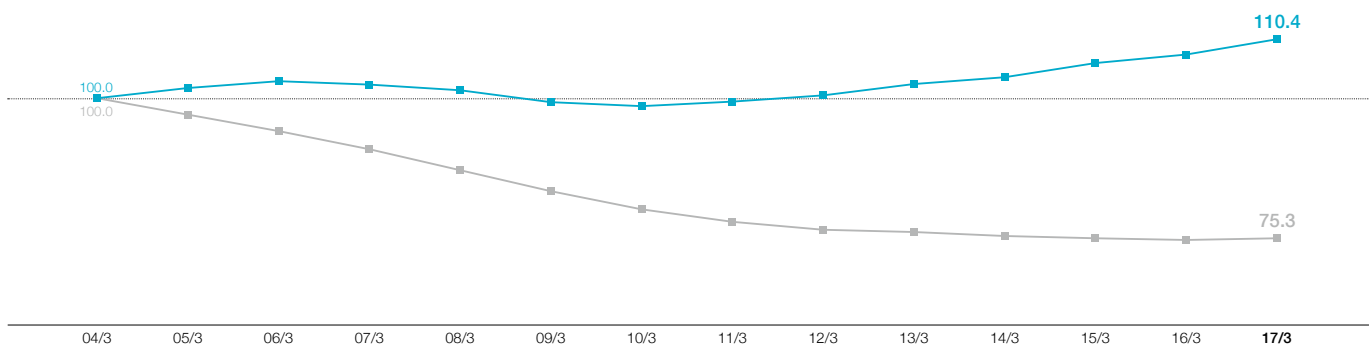
*1 The policy amount in force is the total of individual insurance, individual annuities, and Daido Life's *J-type product*, *T-type product* and *Kaigo Relief*.
 Figures do not include Japan Post Insurance.

*2 Three life insurance companies total of Taiyo Life, Daido Life, and T&D Financial Life.

Trend in the Policy Amount in Force*1

Base (As of March 31, 2004) = 100.0

This graph compares the trend in the combined policy amount in force of Taiyo Life, Daido Life and T&D Financial Life, and the policy amount in force of the life insurance industry as a whole, beginning with the respective policy amounts in force as of March 31, 2004 indexed at 100. The three core life insurance companies have maintained their respective competitive advantages based on unique business models designed to supply optimal integrated products and services via ideal sales channels according to the needs of each company's specialty market. As a result, sales performance has been trending firmly.



■ T&D ■ Japanese life insurance industry (excluding Japan Post Insurance) plus *J-type product*, *T-type product* and *Kaigo Relief*.

Source: Compiled by T&D Holdings based on Summary of Life Insurance Business in Japan, Life Insurance Association of Japan, and the financial reports of each company.

*1 The policy amount in force is the total of individual insurance, individual annuities, and Daido Life's *J-type product*, *T-type product* and *Kaigo Relief*.

Figures do not include Japan Post Insurance.



Initiatives for Increasing Corporate Value

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Top Message

We continue to
expand growth areas to
increase corporate value
steadily and sustainably.

Tetsuhiro Kida

Representative Director
and President



Results of the First Year of the Medium-Term Management Plan

We have now entered the second year of our three-year medium-term management plan, which began in April 2016. For the first year of the plan, the key performance indicators progressed steadily even under a severe environment of continuing ultra-low interest rates. These were the results of the affiliated three life insurance companies' steady development and cultivation of each company's market in focus in the domestic life insurance business, which the T&D Life Group considers as its core business.

In particular, we have steadily generated results by transforming our product portfolio through the expansion into third sector and disability benefit insurance and suchlike, a priority measure since our previous medium-term management plan. In addition, we've strengthened initiatives for the senior market as a measure for expanding growth areas, and this has also produced good results. Thanks to these efforts, the value of new business increased significantly, and corporate value (EV) saw steady growth.

With regard to shareholder return, we increased the cash dividend and bought back shares in line with our basic policy of returning 40% and above of adjusted net income each fiscal year through a combination of stable cash dividends and flexible share buybacks.

Contribute to Solutions for Social Issues Through the Life Insurance Business

Japan's population of seniors aged 65 and above is expected to further increase as the country's ultra-aging trend advances. Against this backdrop of changes in the social environment, there is expected to be an increasing need among customers in preparation for longevity, specifically, comprehensive coverage including pensions, medical care and nursing care. In conjunction with this, we believe our societal role as a private-sector life insurer which supplements public insurance will increase further.

Under these circumstances, the Group will contribute to the solution of these concerns by carefully accommodating the diverse needs of customers in the respective markets served by the three core life insurance companies. For example, Taiyo Life is conducting initiatives which integrate products, services and sales representative, including deploying its staffs to each sales office who will visit homes of the customers to support claims and other procedures, together with providing insurance for the peace of mind and security of seniors. In addition, Daido Life is providing nursing-care insurance products which meet the comprehensive coverage needs of SME owners and individual business owners and is also strengthening initiatives for its inheritance and business succession services.

Further, we have started initiatives for the customers of each of the companies to provide support for disease prevention and health promotion in order to realize a fulfilling elderly society.

Top Message

Foundations
Supporting the
Management

1. ERM (Enterprise Risk Management)

We have promoted Enterprise Risk Management (ERM) to integrally manage profit, risk and capital for the Group as a whole on an economic value basis since fully instituting the system in 2013.

As the risks surrounding insurance companies become increasingly diverse and complex, the Group intends to pursue capital efficiency (profitability) while ensuring capital adequacy (financial soundness) through integrated risk management, with the aim of increasing corporate value steadily and sustainably.

By utilizing the ERM, we have transformed our product portfolio and achieved high profitability while ensuring financial soundness even in an ultra-low interest rate environment.

2. Corporate Governance

We regard the development of an appropriate governance system as a fundamental precondition for conducting corporate management and we have continued to strengthen and enhance our governance system.

In June 2017, we added an outside director to further strengthen and enhance corporate governance and now have a system of three outside directors among the 12 directors.

Going forward, we will continue to strengthen and enhance corporate governance with a view to increasing corporate value over the medium- to long-term.

3. CSR (Corporate Social Responsibility)

In order to more fully fulfill our social responsibilities as a corporation, we have selected “Providing Better Products and Services,” “Respect for Human Rights,” and “Global Environmental Protection” as our CSR priority areas.

In addition, in order to further strengthen our foundations supporting the management, we are working to nurture a corporate culture where diverse human resources can feel job satisfaction and reach their potential through work style transformation, diversity initiatives which include the promotion of the active participation of women, and work-life balance initiatives.

Aiming for Steady and Sustainable Growth in Corporate Value

Under the T&D Life Group's Corporate Philosophy of "With our 'Try & Discover' motto for creating value, we aim to be a group that contributes to all people and societies," our goal is to contribute to solutions for social issues through the life insurance business, while pursuing the maximization of the satisfaction of all stakeholders.

Going forward, we will promote initiatives for expanding growth areas through the unwavering practice of "Try & Discover," and continue to achieve steady and sustainable growth in corporate value.

In closing, I would appreciate your continued understanding and support.

September 2017

Tetsuhiro Kida

Representative Director
and President

Try & Discover for the Next Stage

—A Three-Year Period for
Expanding Our Growth Areas—

Medium-Term Management Plan
(April 2016–March 2019)

The T&D Life Group’s medium-term management plan for the three years, which started in April 2016, is positioned as “a three-year period for expanding our growth areas” and the first stage in a vision for the next 10 years.

Under a holding company structure, the T&D Life Group will steadily and sustainably increase its corporate value (EV) by maximizing the uniqueness and the specialization of the three core life insurance companies in their respective specialty markets.

Overview of Medium-Term Management Plan (April 2016–March 2019)

Overall Policies

- Positioning the domestic life insurance business as the core, the T&D Life Group will strengthen its initiatives in the senior market and the independent insurance agent channel with the goal of further expanding growth areas in addition to the established platform.
- Pursue alliance and M&A opportunities to strengthen competitiveness, expand market share, and improve profitability in the domestic life insurance market.
- Strategically utilize the ERM to promote effective use of stockholders’ equity and realize high profitability while ensuring financial soundness.

Strategy Points

Increase corporate value based on a business platform strengthened through the previous medium-term management plan (transformation of the product portfolio)



Expand growth areas foreseeing the next 10 years

① Strengthen initiatives for the senior market

Taiyo Life

- With the increase in the senior population and the growing need for self-provision, Taiyo Life will promote “**enhancement of product development and face-to-face services**” in unison which preempt the changes of the times.

Daido Life

- In an effort to develop **the SME owner and individual business owner market into a core business**, Daido Life will particularly **strengthen “nursing care” and “inheritance and business succession” products as growth areas**, with a focus on the senior segment.

② Strategically strengthen T&D Financial Life

T&D Financial Life

- **The Group will work together** with T&D Financial Life **to enhance its competitiveness in product development, asset management and other areas.**

Key Performance Indicators

The Group has adopted corporate value (EV) and adjusted net income, which represents profit available for shareholder return, as its key performance indicators, with the aim of achieving steady and sustainable growth in excess of the EV growth rate (ROEV) of 7.5%.

T&D Life Group's Consolidated Key Performance Indicators

Corporate Value (EV)	<ul style="list-style-type: none"> • EV as of March 31, 2019: ¥2.4 trillion (increase of ¥500 bn and above from March 31, 2016) • Value of new business in FY2018: ¥100 billion (increase of ¥40 bn and above from FY2015) [Achieve steady and sustainable growth in excess of the EV growth rate (ROEV) of 7.5%]
Profit (financial accounting)	Adjusted net income* from FY2016 to FY2018: around ¥85 billion

* Adjusted net income is calculated by adding net income and additional internal reserves in excess of the legal standard requirements related to reserves for contingency and price fluctuations (after taxes).

Review of Fiscal 2016

In fiscal 2016, the first year of the medium-term management plan, the Group steadily executed its plans centered on the domestic life insurance business and achieved a significant increase in the value of new businesses and a solid increase in corporate value (EV), despite the continuation of low interest-rate environment. As result, the Group made steady progress towards the achievement of its plan in all key performance indicators—EV, value of new business, and adjusted new income.

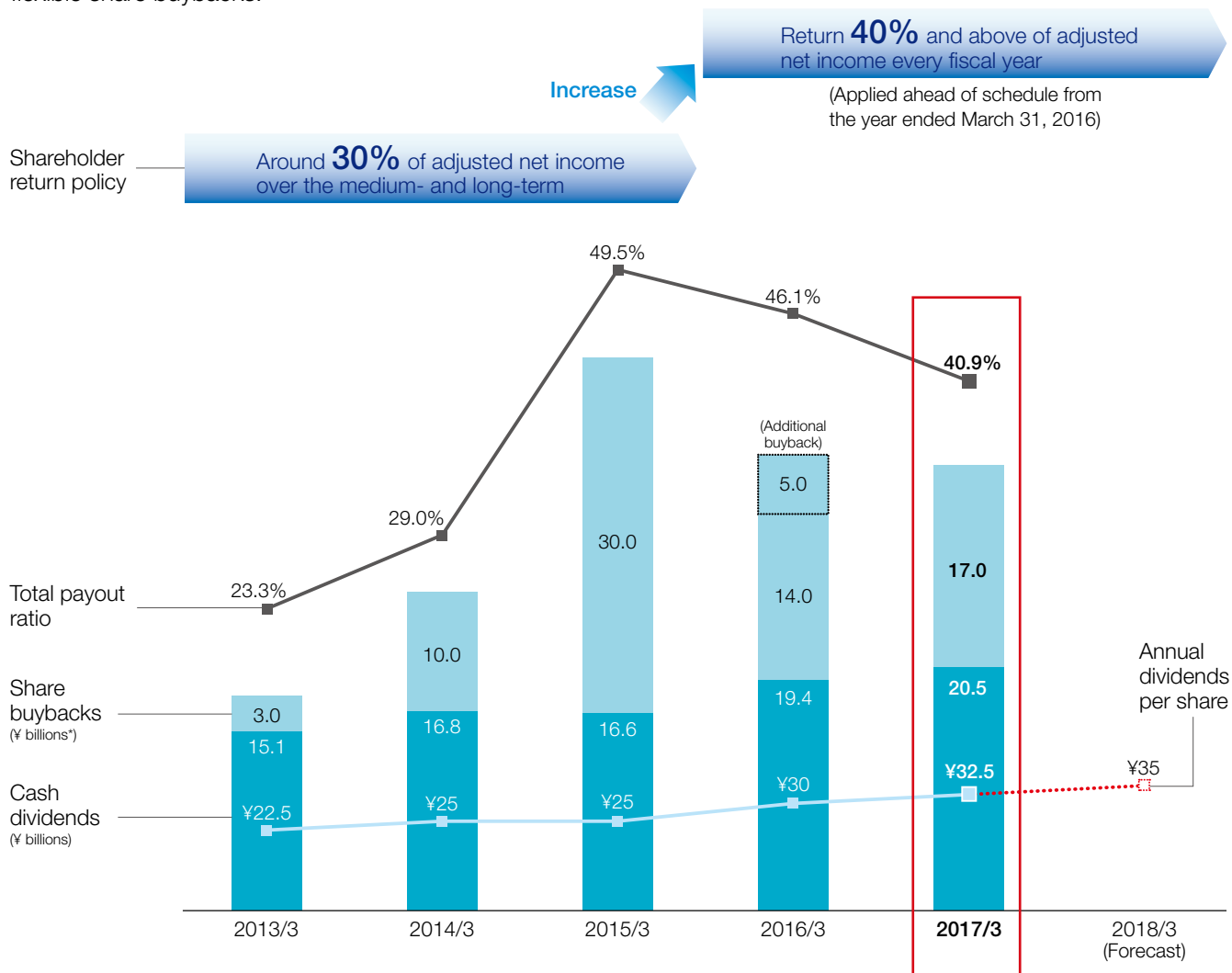
	Key Performance Indicators	FY2015/ Mar. 31, 2016	FY2016/ Mar. 31, 2017 (yoy/period-end comparison)	Target of the Medium-Term Management Plan
Corporate Value (EV)	Group MCEV	¥1,893.7 billion	¥2,290.5 billion (+21.0%)	As of March 31, 2019 ¥2.4 trillion
	Value of New Business	¥56.3 billion	¥119.5 billion (+112.1%)	FY2018 ¥100.0 billion
Profit (financial accounting)	Adjusted net income*	¥83.3 billion	¥91.7 billion (+10.1%)	FY2016 to FY2018 Around ¥85.0 billion

* Adjusted net income is calculated by adding net income and additional internal reserves in excess of the legal standard requirements related to reserves for contingency and price fluctuations (after taxes).

Initiatives for the Expansion of Shareholder Return

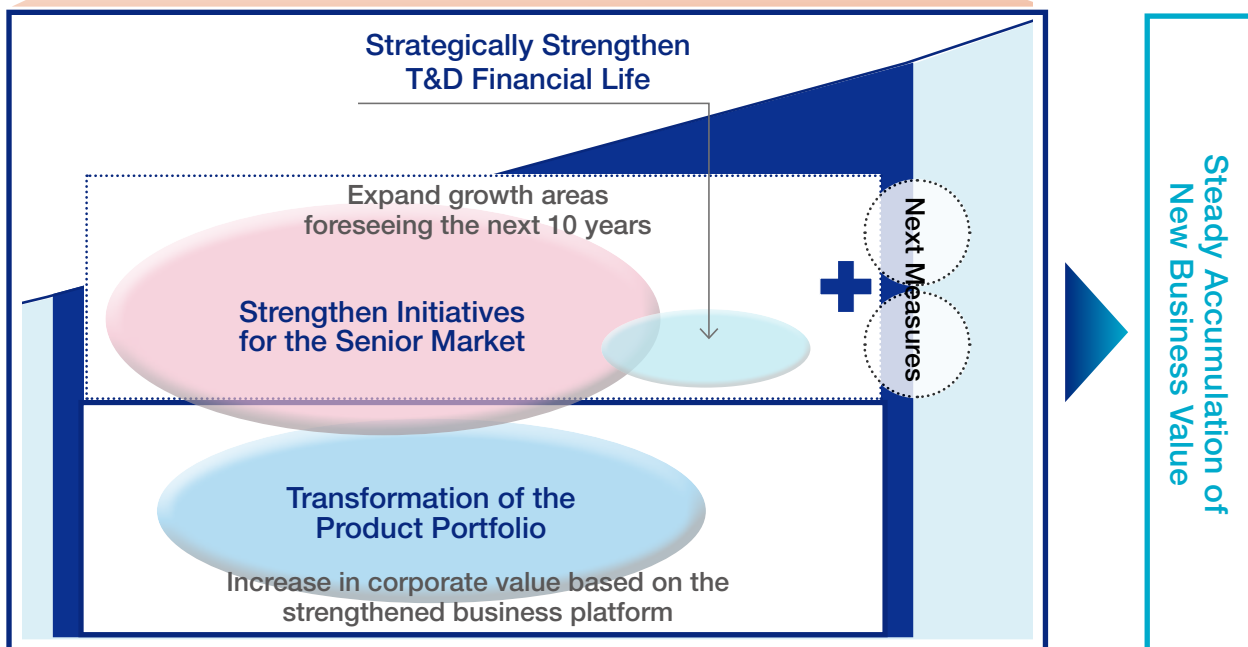
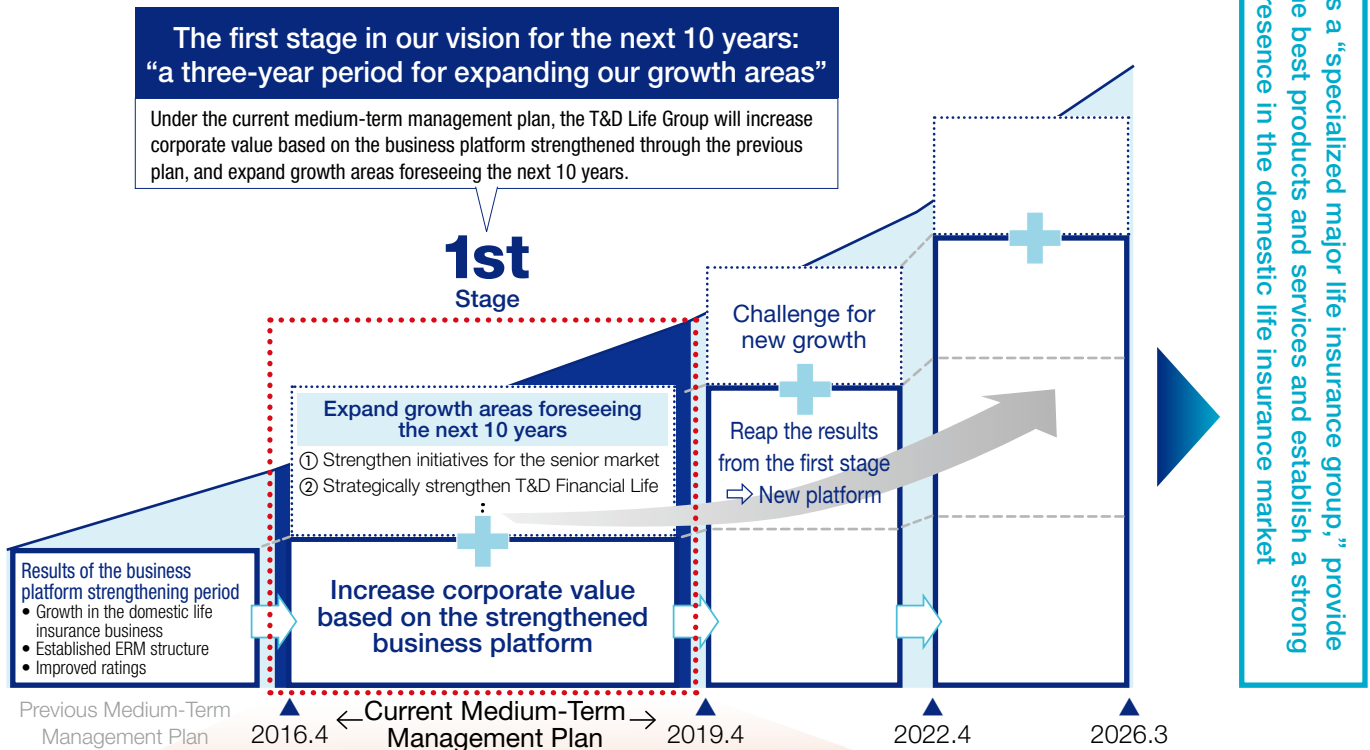
Under the current medium-term management plan, the Group has revised its shareholder return policy, and enhanced its shareholder return.

During the current medium-term management plan, provided that capital adequacy is secured, the Group will implement shareholder return of 40% and above of adjusted net income, combining stable cash dividends and flexible share buybacks.



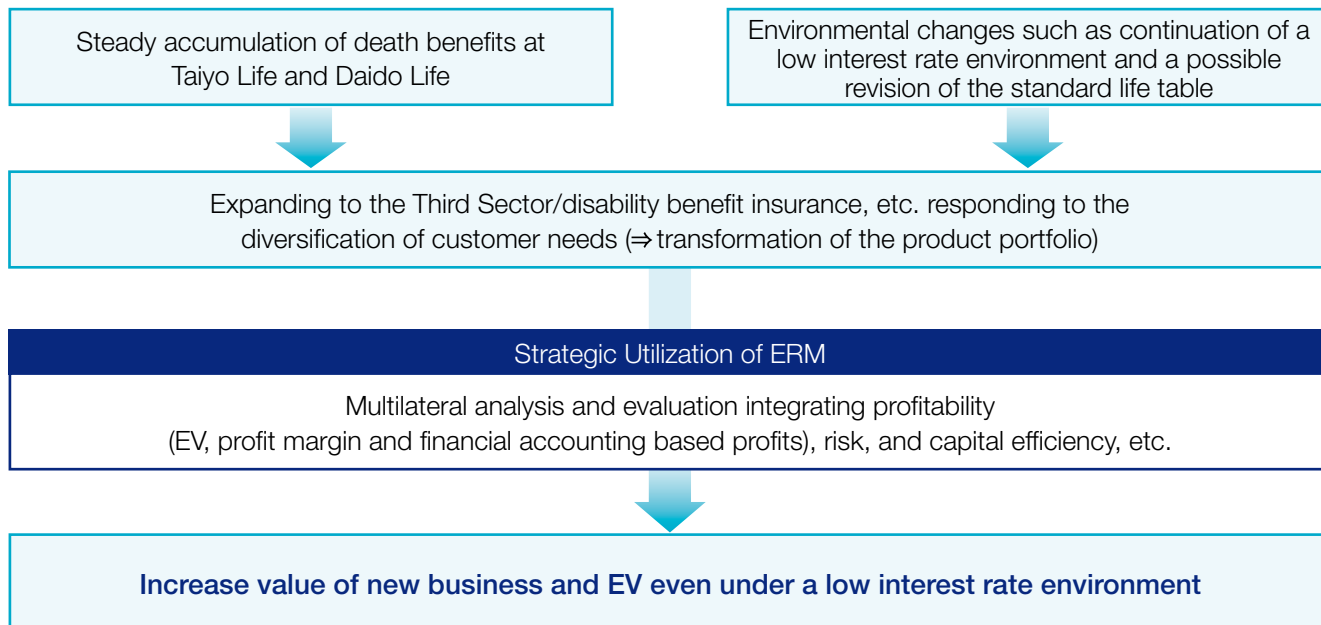
Domestic Life Insurance Business

The Group has laid out the strategy of “strengthen initiatives for the senior market” and “strategically strengthen T&D Financial Life,” with a view to expanding its presence in the independent insurance agent channel, in addition to the “transformation of the product portfolio” through the expansion into the Third Sector and into disability benefit insurance, which has been a priority measure since the previous medium-term management plan.



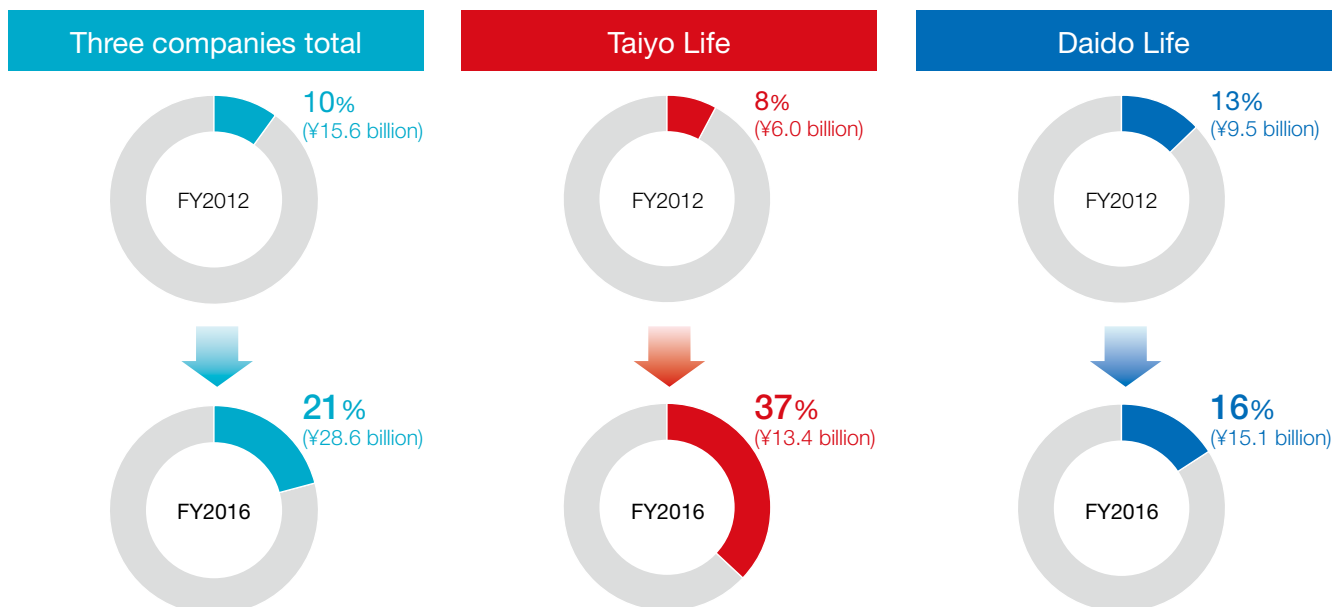
Domestic Life Insurance Business: Transformation of the Product Portfolio

Taiyo Life and Daido Life promoted initiatives focused on steadily accumulating death benefits. In addition to death benefit coverage, the Group also promoted transformation of the product portfolio to add the Third Sector and disability benefit insurance and suchlike as a response to the diversification of customer needs associated with the arrival of an aging society.



As a result, the percentage of Third Sector sales of the total of annualized premiums of new policies by the Group's three life insurance companies rose from 10% in fiscal 2012 to 21% in fiscal 2016.

Trends in the percentage of the Third Sector in annualized premium of new policies (Five years: FY2012 => FY2016)

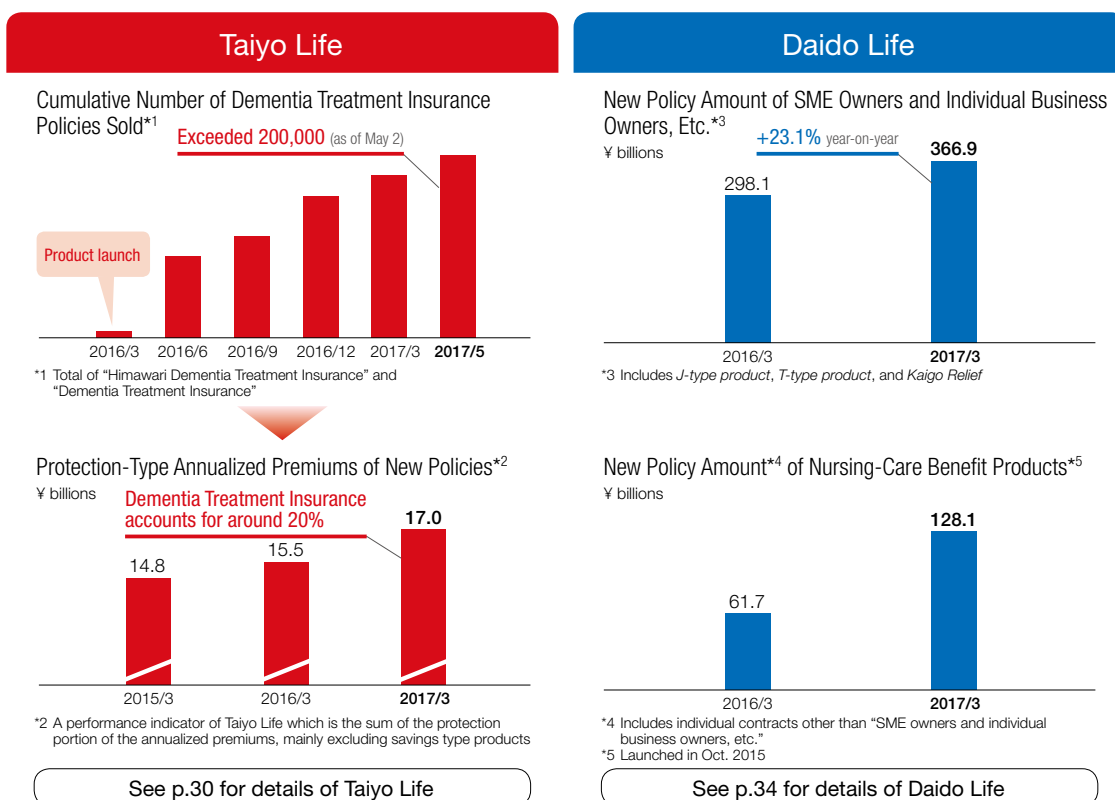


Domestic Life Insurance Business: Strengthen Initiatives for the Senior Market

Taiyo Life and Daido Life concentrated on “strengthening initiatives for the senior market” as an approach to expanding growth areas by promoting their distinctive products and services for their respective specialized markets. As a result, both companies achieved significant growth in their core products and key performance indicators.

Measures	Taiyo Life	Daido Life
Sales/ Products	<ul style="list-style-type: none"> Expanded sales of dementia treatment insurance through sales representative channel Expanded sales of whole life nursing-care annuity products through OTC sales at banks 	<ul style="list-style-type: none"> Strengthening of the promotion of nursing-care products to SME owners + individual business owners market Enhancement/development of human resources for strengthening initiatives on inheritance and business succession
Services	<ul style="list-style-type: none"> <i>Kaketsuke-Tai Service</i>/senior home-visit service Development/offering of dementia prevention app Company-wide distribution of dementia supporters 	<ul style="list-style-type: none"> Expansion of <i>Kaigo Concierge</i> service Promotion of M&A support service
Health Promotion	<p>Company-wide initiative towards Universal Manners Test</p> <p>Taiyo's GENKI Project</p>	<p>Company-wide initiative towards Universal Manners Test</p> <p>DAIDO KENCO Action</p>
<p>Support disease prevention and health promotion towards the realization of a fulfilling elderly society</p>		

Results



Domestic Life Insurance Business: Strategically Strengthen T&D Financial Life

T&D Financial Life implemented various initiatives to increase the value of new business. As a result, it succeeded in turning the value back to positive in the fourth quarter, after it had trended negatively up to the third quarter due to the decline in domestic interest rates.

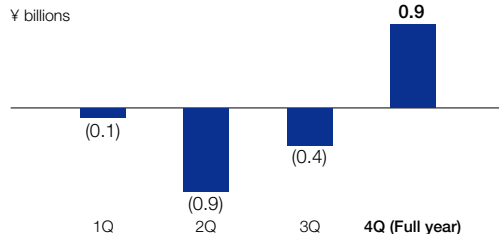
Value of new business was negative up to the third quarter due to the decline in domestic interest rates.

■ Initiatives, etc., for the improvement in value of new business

- Addition of new rider to foreign currency-reference single-premium whole life insurance (Nov. 2016)
- Strengthening sales of income protection insurance ⇒ New policy amount of level-premium products expanded significantly
- Renewal of yen-denominated/foreign currency-reference single-premium whole life insurance [launched in May 2017]

See p.38 for details of T&D Financial Life

Trends in value of new business for the FY2016



* Cumulative basis from the beginning of the fiscal year to each end of the quarter

Trends in new policy amount of level-premium products

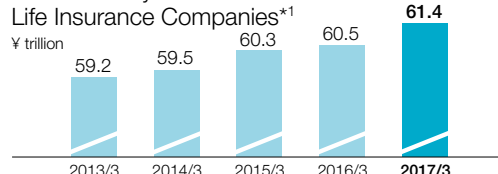


Results of Domestic Life Insurance Business

By promoting the domestic life insurance business centered on the “transformation of product portfolio” and the “strengthening initiatives for the senior market,” the sales of death benefits, the Third Sector and disability benefit insurance grew steadily and the value of new business increased favorably.

Steady Accumulation of Death Benefits

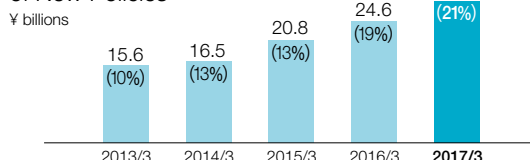
Sum of Policy Amount in Force of Three Core Life Insurance Companies*1



*1 Excluding Daido Life's J-type product, T-type product and Kaigo Relief

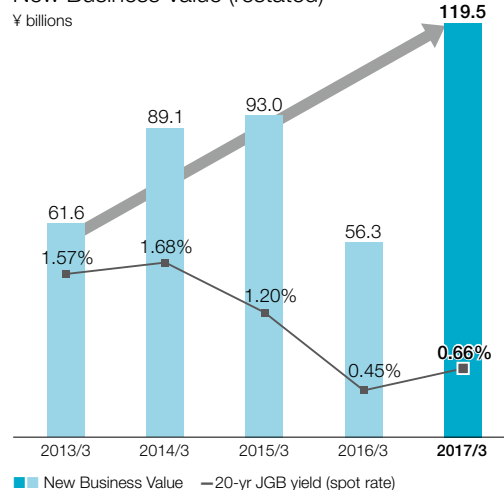
Enhancement of Third Sector/Disability Benefits

Trends in Third Sector Annualized Premiums of New Policies*2



*2 Percentage in the parenthesis is the ratio against the total annualized premiums of new policies

New Business Value (restated)



Confirmation of Environment Recognition for the Second Year of the Medium-Term Management Plan

Environment recognition for the next 10 years in the current medium-term management plan

Social environment	<ul style="list-style-type: none"> • Further decline in birthrate, aging population, and population decline • Increasing need to make self-provision for pension, medical care, and nursing care
Economic and financial environment	<ul style="list-style-type: none"> • Increasing risk of continued low interest rates and future interest rate hike
Industry and regulatory environment	<ul style="list-style-type: none"> • Revision of standard life table, introduction of economic value based financial soundness indicators
Technology innovation	<ul style="list-style-type: none"> • Advance in medical technology, increase in sophistication of IT such as big data and FinTech

Although there is no change in basic recognition, the competitive environment will become even fiercer for the second year of the medium-term management plan, particularly regarding the following points.

1. Continuation of low interest rate environment
2. Revision of standard life table
3. Increased social demand level for “Customer-Oriented Business Conduct”

Basic Policy for the Second Year of the Medium-Term Management Plan

- ▶ The Group is convinced that the medium-term management plan’s domestic life insurance business strategy leads to sustainable growth, based on the results of the first year of the plan
- ▶ For the second year of the plan, continue promoting sales enhancement of protection-type products and strengthen initiatives for the senior market
- ▶ Further promote Group-wide effort to enhance the revenue base of T&D Financial Life
- ▶ In addition, focus on measures to expand new growth areas of the domestic life insurance business, and on pursuing opportunities for external growth

Medium-Term Management Plan **Try & Discover for the Next Stage**



Taiyo Life Insurance Company



Katsuhide Tanaka
Representative Director
and President

As a life insurance company that delivers to households the best products and services which preempt the changes of the times, Taiyo Life is building the leading brand in the senior market.

Outlook for Sales Performance Indicators Fiscal 2017

▶ Protection-type Annualized Premiums of New Policies* ... **¥16.0 billion**

* A performance indicator of Taiyo Life which is the sum of protection portion of the annualized premiums of new policies mainly excluding savings-type products.

Fundamental Strategy

▶ Build the top brand in the senior market by promoting sales combining the different approaches of “strengthening of face-to-face services through visits,” “product development which preempts the changes of the times,” and “further enhancement of the in-house sales representative channel.”

Business Model

Market	Households
Sales channel	In-house sales representatives
Products	Comprehensive coverage including death benefit and medical/nursing care products

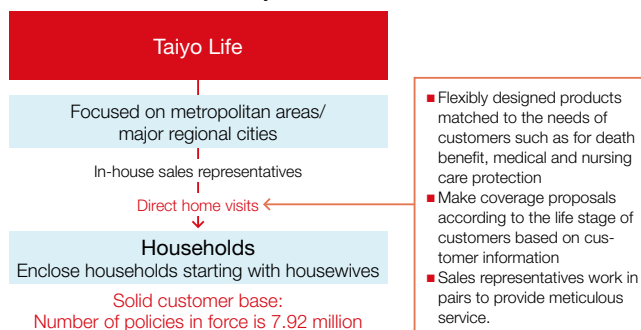
Operational Review

Taiyo Life, which sets life insurance sales in the household market as its core business, delivers comprehensive coverage centered on death protection, medical and nursing care insurance to households through in-house sales representatives.

The mainstay product *Hoken Kumikyoku Best* was launched in October 2008 ahead of its competitors which allows customers to freely combine the coverage they need. The product has continued to capture the coverage needs of the customers, and now has in excess of 2.3 million* cumulative subscribers.

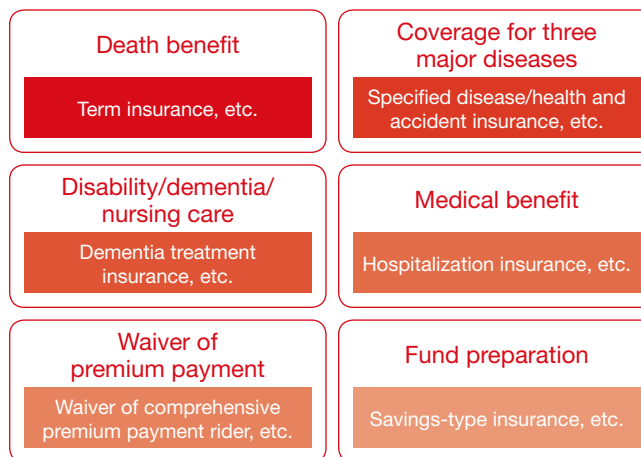
* As of March 2017

Business Model of Taiyo Life



Overview of *Hoken Kumikyoku Best*

All of the protection is treated as basic policy. *Hoken Kumitate Rider* enables customers to flexibly choose benefits according to their needs



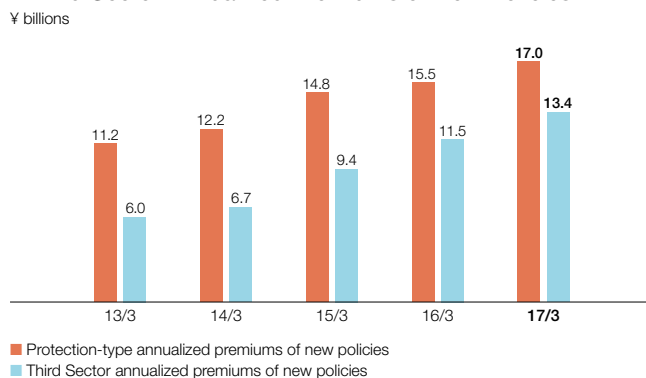
Overview and the Progress on the Medium-Term Management Plan

The current medium-term management plan calls for building the top brand in the senior market by promoting triune sales of “strengthening of face-to-face services through visits,” “product development which preempts the changes of the times,” and “further enhancement of the in-house sales representative channel,” thereby aiming to increase earnings.

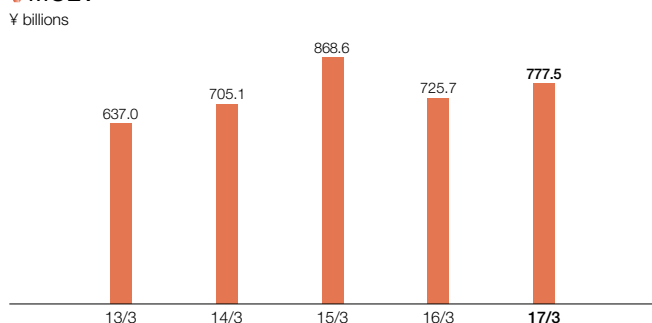
In fiscal 2016, the first year of the medium-term management plan, protection-type annualized premiums of new policies grew 10.1% year-on-year to ¥17.0 billion, in part due to strong sales of *Himawari Dementia Treatment Insurance*, which was launched in March, 2016. Backed by strong sales results, the value of new business increased by ¥26.1 billion year on year to ¥44.2 billion,

while MCEV increased by ¥51.7 billion from the previous fiscal year-end to ¥777.5 billion.

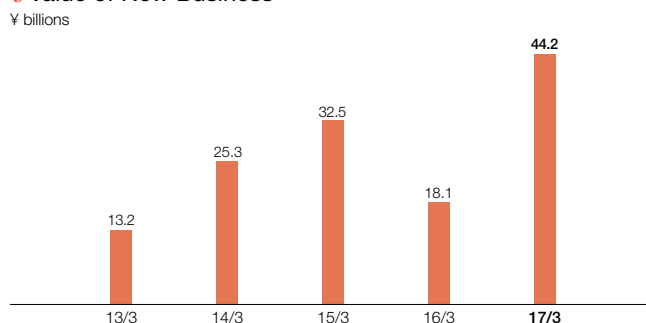
Protection-type Annualized Premiums of New Policies/ Third Sector Annualized Premiums of New Policies



MCEV

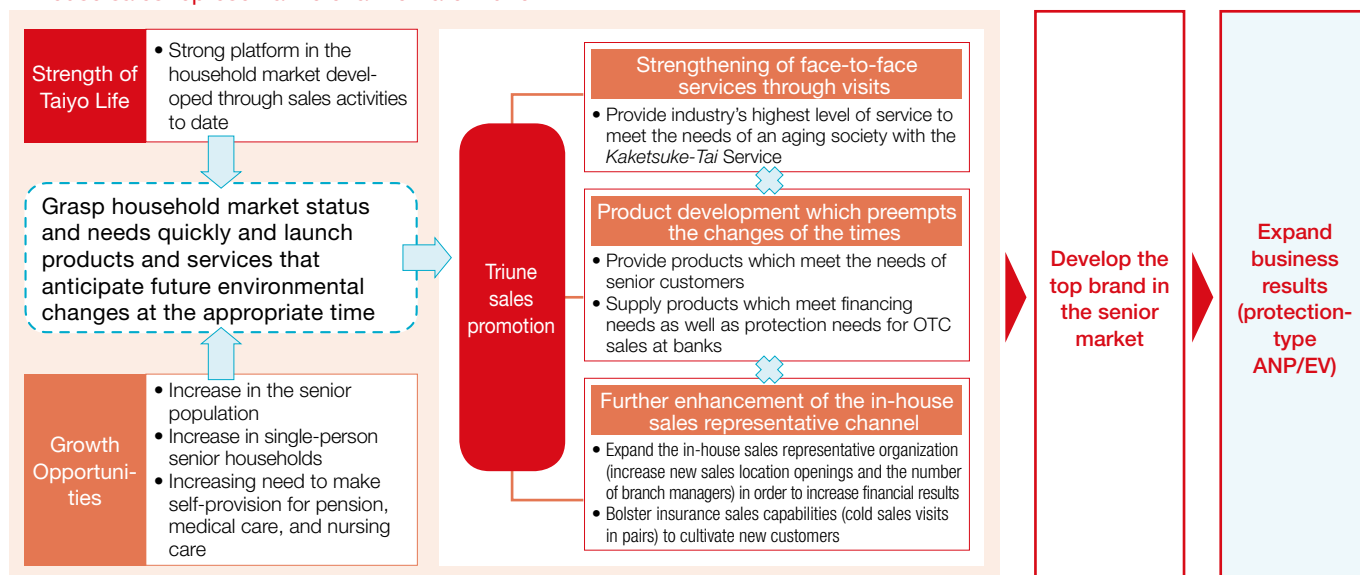


Value of New Business



Marketing Strategy

Build the top brand in the senior market and expand business results by promoting sales where “strengthening of face-to-face services through visits,” “product development which preempts the changes of the times,” and “further enhancement of the in-house sales representative channel” are triune.



Medium-Term Management Plan **Try & Discover for the Next Stage**

Strengthening Face-to-face Services through Visits

Aiming to become the life insurance company which is most considerate to its senior customers, Taiyo Life initiated its Best Senior Service program. As part of this effort, in April 2016, the company introduced its *Kaketsuke-Tai Service*, ensuring that its senior customers are paid their insurance benefits, and offering them peace of mind in continuing their insurance coverage. Through the service, office workers with specialized knowledge visit customers directly at home to provide assistance with payment procedures. To date, the service has been used in excess of 25,000 times.*

In addition, the company continues to offer its Senior Visit Service (introduced in July 2014), where sales representatives visit customers 70 years of age and older at least once a year to verify their policies and encourage them to file claims.

* As of June 2017



Ikana-Cat,
the *Kaketsuke-Tai Service* mascot

Product Development Which Preempts the Changes of the Times

Staying ahead of the curve, in March 2016 Taiyo Life launched *Himawari Dementia Treatment Insurance*, as well as insurance to protect against loss of income due to an inability to work.

Himawari Dementia Treatment Insurance saw the cumulative number of policies sold exceed 220,000*¹, backed by society's increased interest in dementia, as well as the fact that it allows even those with health concerns to sign up for coverage for prescribed conditions due to dementia.

Meanwhile, coverage*² under insurance to protect against loss of income provides early payment of benefits in the event an individual is unable to work due to illness, accident and so forth, and has been well-received by customers.

*¹ Total policies sold for *Himawari Dementia Treatment Insurance* and *Dementia Treatment Insurance* (as of June 2017)

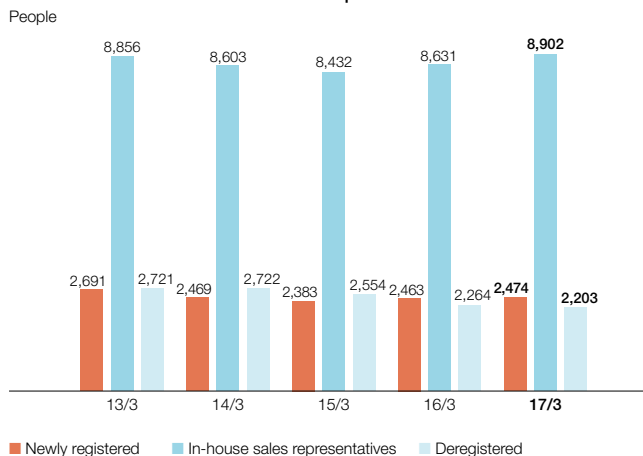
*² Benefits are paid in the event a prescribed inability to work continues for 30 days due to certain conditions including the three major diseases and injury.



Further Enhancement of the In-house Sales Representative Channel

To deliver the products and services it provides to even more customers, Taiyo Life has placed a priority on opening new sales locations and hiring and training sales representatives. As a result, the number of in-house sales representatives increased by 271 people to 8,902 from the previous fiscal year-end, further strengthening the channel.

◆ Number of In-house Sales Representatives



Future Growth

In response to changes in social conditions in Japan of a declining birthrate and aging population, and longer healthy life spans, Taiyo Life is not only fulfilling the original mission of a life insurance company by ensuring insurance benefits are paid, but will also take on the new role of promoting the health of its customers by supporting efforts to prevent disease.

Specifically, the company has launched Taiyo's GENKI Project in June 2016, an initiative aimed at energizing and promoting the health of employees, customers, and society.

Through this project, the company is engaged in initiatives designed to support better customer health from a variety of perspectives, such as providing the *Dementia Prevention App*.*

In fiscal 2017, the second year of the medium-term management plan, the company aims to build the top brand in the senior market through these efforts and expand business results.

* A smartphone app which supports dementia prevention based on walking speed.

Specific Measures of Taiyo's GENKI Project

Energizing Employees

- **Introduction of an Employment System Which Allows Employees to Work Until Age 70**
Putting in place an environment which will allow senior employees, who have extensive experience, to work lively and energetically.
- **Implementation of Smart Working**
Promoting smart working, where every individual employee can find their work rewarding and fulfilling.
- **Employee Fitness**
Advancing employee fitness through the use of kurorts (health resorts) and by increasing the percentage of those undergoing cancer screening



▲Employees making use of a kurort

Energizing Customers

- **Offering the *Dementia Prevention App***
Offering its customers the *Dementia Prevention App*, which supports efforts to prevent dementia based on walking speed.
- **Enhancing Customer Service**
Moving ahead to introduce "Universal Manners Certification" and "Dementia Supporter" programs company-wide in order to enhance its ability to provide service to senior customers and individuals with disabilities.



◀Dementia Prevention App

Energizing the Society

- **Dissemination Activities of "Kurort Health Walking"**
Kurort Health Walking is effective in preventing disease and promoting health. Taiyo Life holds the "Taiyo Life Kurort Health Walking Awards" with the goal of spreading this movement nationwide.
- **Dementia Seminars**
Offering a variety of information on dementia through its sponsorship of dementia seminars held nationwide.
- **Investment in the Fund Supporting Good Health**
Invested in the fund supporting good health, which supports businesses that contribute to promoting peoples' health.



▲Dementia seminar

Medium-Term Management Plan **Try & Discover for the Next Stage**

DAIDO Daido Life Insurance Company



Minoru Kudo
Representative Director
and President

Daido Life aims to bring the greatest peace of mind and the utmost satisfaction to small and medium enterprise (SME) customers.

Outlook for Sales Performance Indicators Fiscal 2017

- ▶ Policy amount in force* **¥41,780 billion**
- ▶ New policy amount* **¥4,350 billion**

* The sum of the death benefit amount of individual insurance and individual annuities, together with the insured amount for critical illnesses for the *J-type product* (non-participating critical illness insurance), disability income protection for the *T-type product* (non-participating disability benefit), and *Kaigo Relief* (non-participating whole life nursing care insurance).

Fundamental Strategy

- ▶ Further evolve the core business of selling partner-specific products through tie-up organizations by “further penetrating core markets” and “creating and expanding new markets.”

Business Model

Market	Small and medium enterprises (SMEs)
Sales channel	In-house sales representatives and agents (tax accountants, etc.)
Products	Term insurance (death protection), disability benefit, etc.

Operational Review

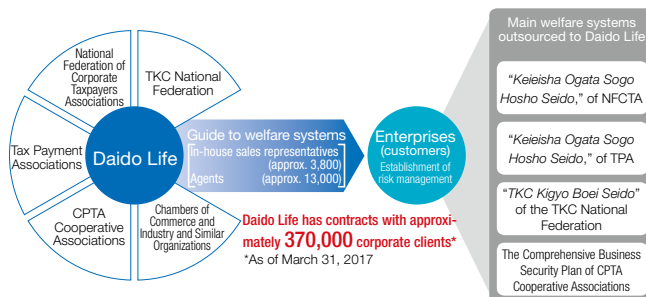
Daido Life is a life insurance company that specializes in the SME market, with contracts with some 370,000 corporate clients. The company has focused on developing and selling term insurance since the 1970s, considering it to be the optimal product for companies as it secures greater coverage at a lower premium.

Specifically, the company, which ties up with SME-related organizations and CPTA organizations, positions the offering of its products and services designed according to the organization’s characteristics (partner-specific products) as its core business. The company has established a unique business model of offering these products and services as a benefit and welfare system for the SMEs, through two channels of in-house sales representatives and agents.

Overview and the Progress on the Medium-Term Management Plan

Under the three-year medium-term management plan which started in April 2016, Daido Life aims to steadily and sustainably increase corporate value. To this end, it is evolving its core business through enhancing its disability benefit in the corporate market (“further penetration of core markets”) and developing the SME owner and individual business owner market (“creating and expanding new markets”). It is also enhancing customer service through operational innovations in its sales activities and administration.

Business Model of Daido Life



In fiscal 2016, the first year of the medium-term management plan, Daido Life's new policy amount rose 18.7% year on year to ¥5,121.1 billion*, and the policy amount in force increased 4.6% to ¥40,992.2 billion* from the previous fiscal year-end.

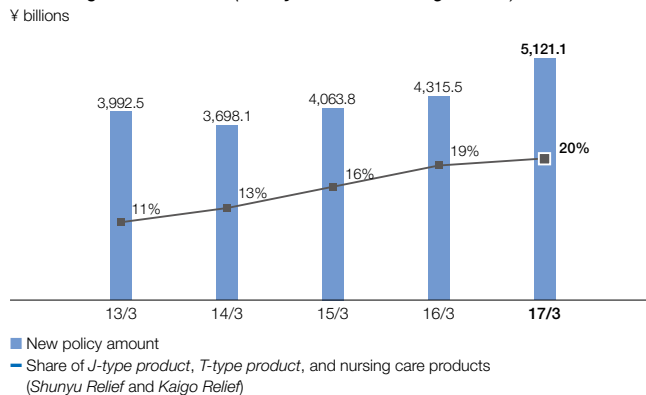
This was the result of the implementation and the establishment of "proposing full range of protection" through enhanced disability benefit (*J-*, *T-*, and *M-type products*; see figure below) in addition to mainstay term insurance.

The nursing care insurance products (*Shunyu Relief* and *Kaigo Relief*), which are strategic products for opening up the SME owner and individual business owner market, were well received, with the new policy amount growing steadily to ¥128.1 billion.

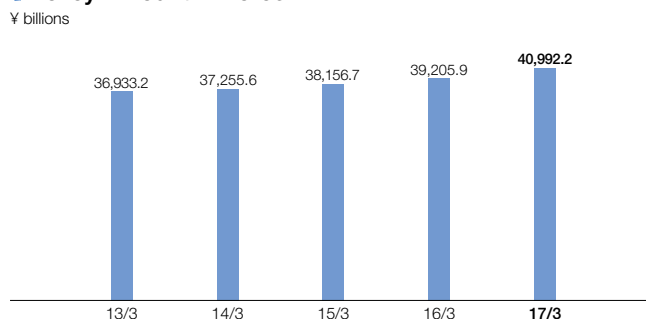
As a result, the share of disability benefit and nursing care benefit products grew steadily to account for 20% of the new policy amount. By providing products and services which meet customers' needs, the sales strategy for the medium-term management plan is proceeding as intended.

* The sum of the policy amount of individual insurance and individual annuities (death benefit and living protection amounts), together with the insured amount for critical illnesses for the *J-type product* (non-participating critical illness insurance), disability income protection for the *T-type product* (non-participating disability benefit) and *Kaigo Relief* (non-participating whole life nursing care insurance).

◆ New Policy Amount and Share of *J-type Product*, *T-type Product*, and Nursing Care Products (*Shunyu Relief* and *Kaigo Relief*)

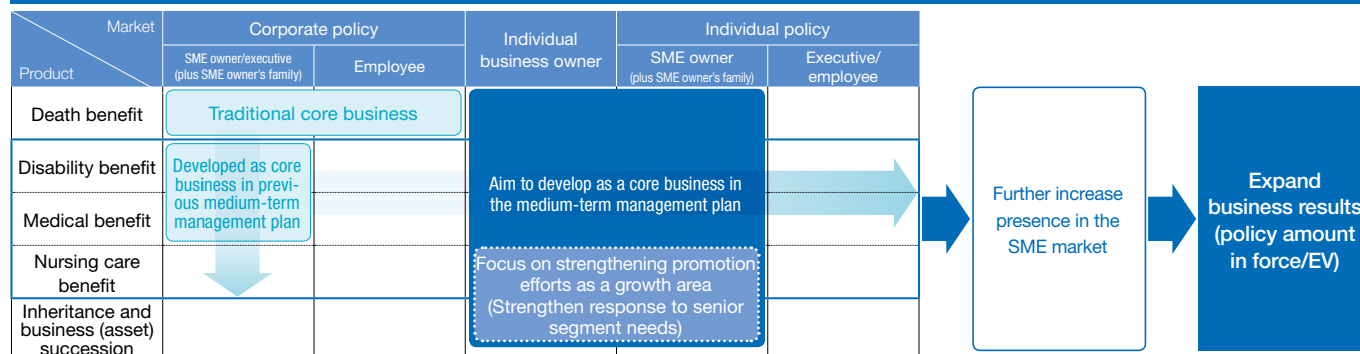


◆ Policy Amount in Force

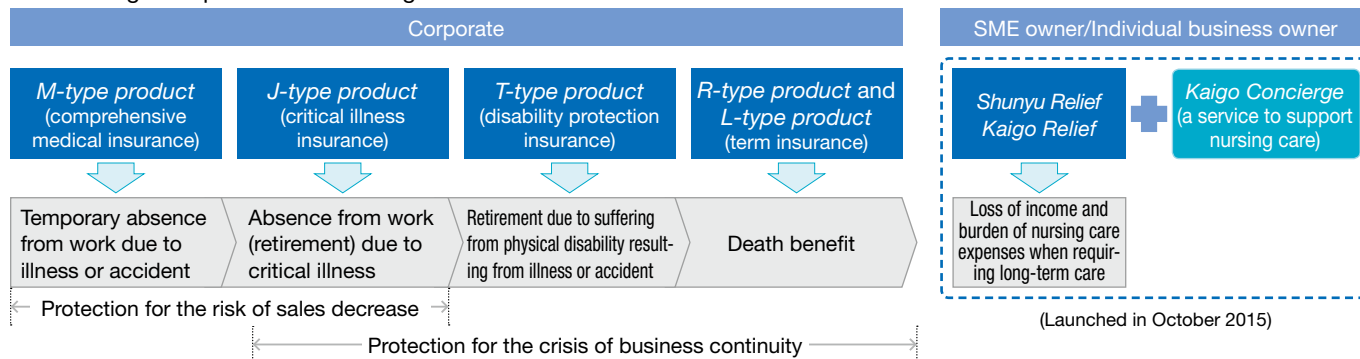


◆ Marketing Strategy

To consolidate its position as the "leading company" in the SME market for life insurance, Daido Life will further evolve its core business and develop growth area of both corporate and individual fields together, in order to expand business results.



◆ Promoting a Proposal of a Full Range of Protection

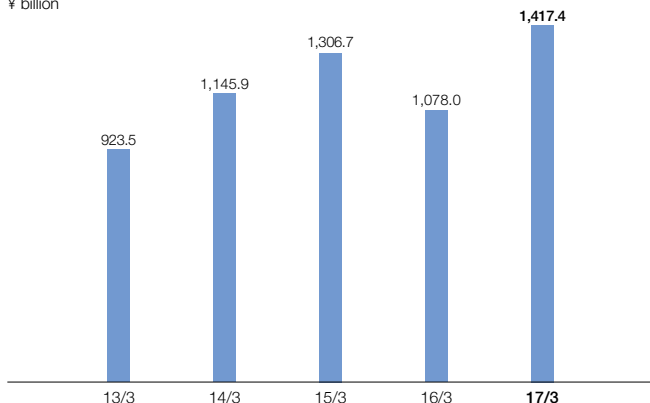


Medium-Term Management Plan **Try & Discover for the Next Stage**

MCEV increased by ¥339.4 billion from the previous fiscal year-end to ¥1,417.4 billion, reflecting a steady increase in the new policy amount as well as a rise in domestic interest rates and an improvement in insurance assumptions such as surrender and lapse rate and mortality rate. The value of new business increased by ¥39.6 billion year on year to ¥74.3 billion.

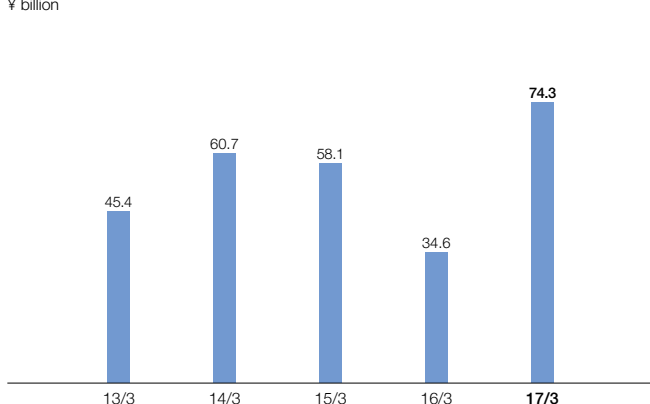
MCEV

¥ billion



Value of New Business

¥ billion



Initiatives for the Senior Market

In October 2015, Daido Life launched *Shunyu Relief*, an insurance policy to protect against loss of income when long-term care is required by SME owners, individual business owners, and so forth, and *Kaigo Relief*, an insurance policy to cover nursing care costs if they are admitted to a nursing facility.

The company has also introduced *Kaigo Concierge*, a comprehensive support for nursing care, including offering consultation regarding nursing care issues, referrals to nursing care facilities, and so forth, which is well received by customers.

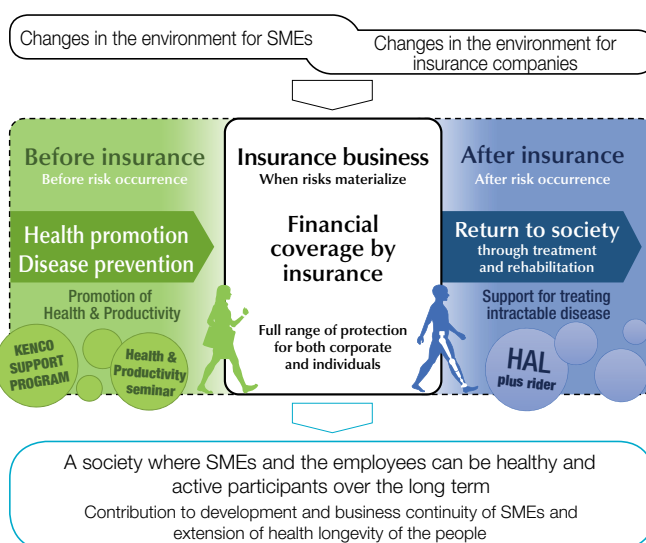
Further, the company is developing and bolstering specialist personnel who can provide support for inheritance and business succession due to the aging of business owners.

Going forward, the company will strengthen its initiatives in the senior market, which is a common growth area for the T&D life Group, through offering products aligned with customers' needs and unique/superior services.

Future Growth

A new challenge towards future growth, Daido Life will contribute to creating a society where SMEs and the employees can be healthy and active participants over the long term. This will be carried out by going beyond the conventional scope of a life insurance company to develop innovative products and services addressing "health promotion and disease prevention," and "return to society through treatment of intractable disease."

Vision of the Company



Initiatives to Disseminate Health and Productivity Management—DAIDO KENCO ACTION

Generally, an early dissemination of Health and Productivity Management*1 is necessary especially for SMEs where the role per employee is relatively large and face issues with health management. However, the recognition of Health and Productivity Management is low among SMEs and they also lack the human resources and the expertise in implementing it.

In light of these situations, Daido Life is taking a dual approach in the promotion of dissemination activities of Health and Productivity Management, which is working to

raise awareness of the principles among SME owners through seminars and providing a concrete tool for implementation through offering of the Daido Life KENCO SUPPORT PROGRAM. (From April 2017)

*1 Health and Productivity Management is an approach of implementing health management from a business management perspective, based on the idea that initiatives for enhancing employee health are an investment in raising the productivity of the company.

*2 Source: Rearranged and processed from Statistics Bureau, the Ministry of Internal Affairs and Communications "2014 Economic Census for Business Frame." Total number of companies and individual proprietors.



Launch of “HAL Plus Rider”

Daido Life launched the industry's first “HAL plus rider” for covering treatment of certain intractable diseases with the robot suit HAL® for Medical Use (Lower Limb Type) developed and supplied by CYBERDYNE, INC. (From July 2017)

By adding this rider to Daido Life's *M-type product* (non-participating comprehensive medical insurance), the product becomes even more attractive. The company will also contribute to creating a society where people are healthy and affluent by promoting the dissemination and penetration of treatment for intractable disease using HAL® for Medical Use.

[Reference]

HAL® (Hybrid Assistive Limb®) is a cyborg-type robot developed by CYBERDYNE, INC. The suit can improve, support and enhance the bodily functions. HAL® for Medical Use has obtained approval as a therapeutic device in Europe and Japan as the world's first robotic therapeutic device.

In Japan, eight patients with intractable neuromuscular disease started treatment with the new therapeutic devices from September 2016, funded by public medical insurance.



Medium-Term Management Plan **Try & Discover for the Next Stage**

 **T&D Financial Life Insurance Company**



Masafumi Itasaka
Representative Director
and President

Through the growing independent insurance agent market, T&D Financial Life offers distinctive products which meet the needs of its customers.

Outlook for Sales Performance Indicators Fiscal 2017

- ▶ Policy amount in force **¥2,060 billion**
- ▶ New policy amount **¥370 billion**

Fundamental Strategy

- ▶ Aiming to establish a strong brand in life insurance sales through the independent insurance agent channel*, the company is promoting the “diversification of product lineup,” “expansion of sales network of insurance agents,” and “improvement of customer service.”

* The independent insurance agent channel collectively refers to the OTC sales channel at financial institutions, including banks, securities firms, and the insurance shop agent channel.

Business Model

Market	Independent insurance agent market
Sales channel	Independent insurance agents (financial institutions and insurance shop)
Products	Single-premium insurance (foreign currency-reference type, etc.), income protection insurance, etc.

Operational Review

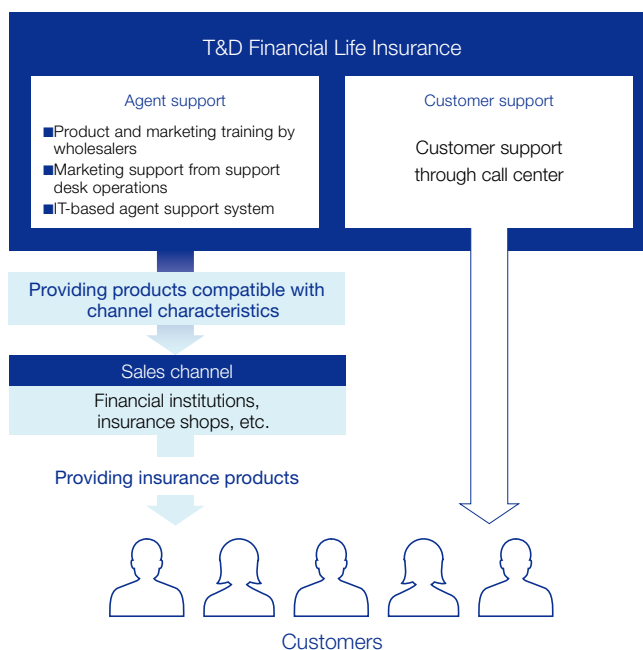
T&D Financial Life specializes in providing insurance products through independent insurance agents including financial institutions and insurance shops, which handle products from multiple insurers.

Insurance sales through this independent insurance agent channel are expected to further grow going forward, and by expanding its sales network in this channel, and by providing competitive products, the company aims to achieve sustained growth.

Overview and the Progress on the Medium-Term Management Plan

Under the current medium-term management plan, T&D Financial Life is promoting the “diversification of product lineup,” “expansion of sales network of insurance agents,” and “improvement of customer service” to become the company of choice for customers and agents in the independent insurance agent market, and will work to expand its business performance (new policy amount and EV).

Business Model

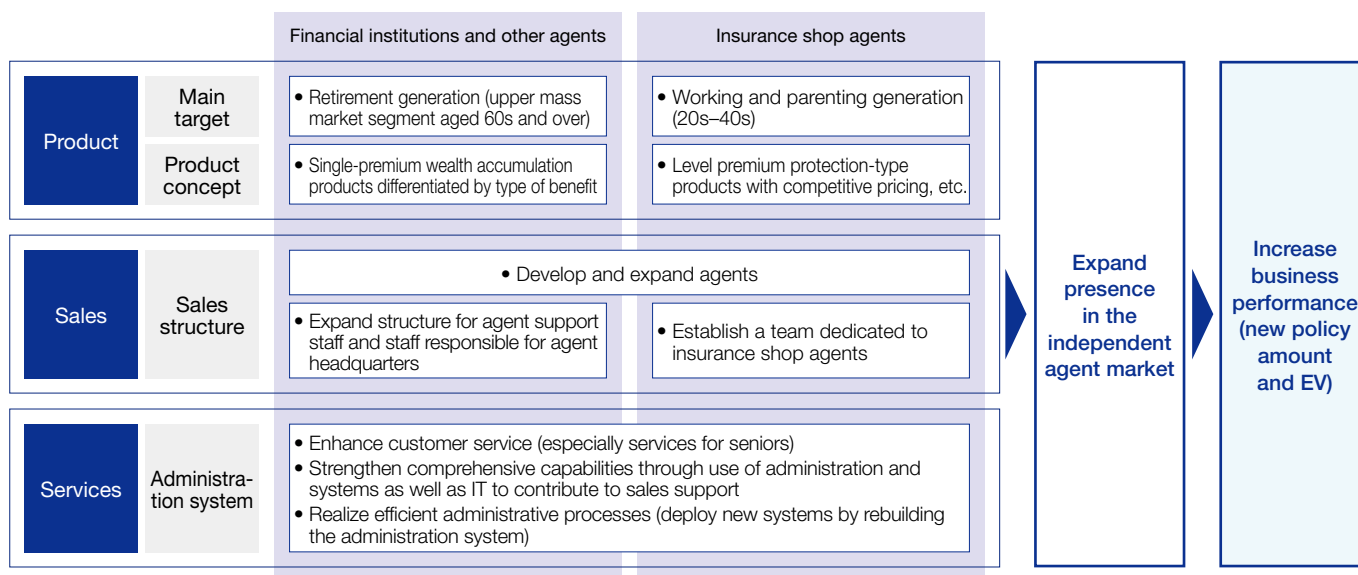


In fiscal 2016, the first year of the current medium-term management plan, the sales performance indicators of the new policy amount and the policy amount in force were ¥235.4 billion and ¥1,879.3 billion, respectively, which the company achieved its corresponding management targets for the fiscal year of ¥220.0 billion and ¥1,850.0 billion.

The new policy amount, in particular, saw significant growth from income protection insurance and other level-premium products on which the company focused, and which increased 2.8% year-on-year to ¥169.9 billion, despite the suspension of sales of mainstay yen-denominated single-premium whole life insurance products due to the impact of decline in domestic interest rates.

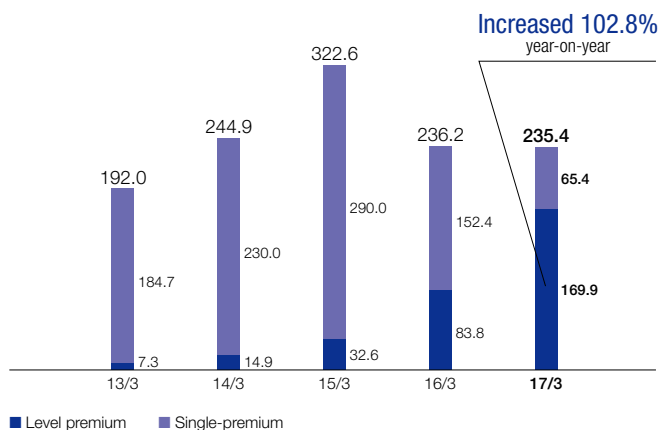
In fiscal 2016, MCEV increased by ¥3.9 billion from the previous fiscal year-end, to ¥97.4 billion. While the value of new business remained negative up to the third quarter, mainly due to the decline in domestic interest rates, the company took steps to improve that figure, including the introduction of new riders to its foreign currency-linked single-premium whole life insurance product. As a result, the value of new business saw a turn-around in the fourth quarter, ending the fiscal year at ¥0.9 billion (a decrease of ¥2.5 billion from the previous fiscal year-end).

Marketing Strategy



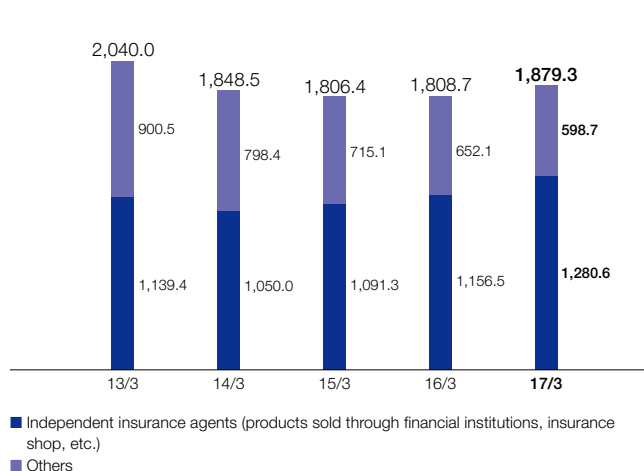
New Policy Amount

¥ billions



Policy Amount in Force

¥ billions



Medium-Term Management Plan **Try & Discover for the Next Stage**

Product Strategy

T&D Financial Life has worked to respond to the diversifying needs of its customers by developing products which offer differentiated benefits. Regarding April 2016 onward, the company has continued providing a variety of products and riders.

In August 2016, the company revised and launched the *Kakei Ni Yasashii Shunyuho* income protection insurance and the *Hataraku Anata Ni Yasashii Hoken*, an income protection insurance in the event of specific diseases. Specifically, revisions included expansion of eligible ages and coverage periods compared to existing products; expanded coverage related to carcinoma in situ; and a simpler explanation of cause for payment due to acute myocardial infarction and cerebral stroke.

In November 2016, the company began handling two riders which can be added to the *Shogai Premium World 3* single-premium whole life insurance product. Specifically, the company began offering a “Rider for Transfer to Whole Life Insurance Upon Reaching Target Value,” under which, when the surrender value reaches either 100%, 105%, or 110% of the single-premium, the policy is automatically transferred from a foreign interest rate to whole life insurance utilizing a domestic interest rate; and a “Long-term Care Pension Payment Transfer Rider,” which makes it possible for those assessed at nursing care level 1 or higher to receive a lifetime pension.

In February 2017, the company launched *Kakei Ni Yasashii Shushin Iryo*, a level-premium whole life medical insurance product. The product was developed in cooperation with the companies of the T&D Life Group as a simplified type of

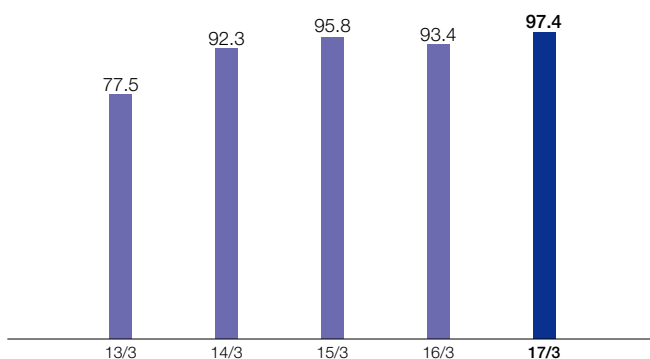
medical insurance which offers discounted premiums to non-smokers, and coverage which starts with one-day hospitalization and outpatient surgery. Coverage is also available for short-term hospitalization, lifestyle diseases and advanced medical care, offering customers the coverage they need in line with progress in current medical systems and technology.

Further, in May 2017, the company launched two new single-premium whole life products: *Shogai Premium Japan 4* and *Shogai Premium World 4*. By reducing policy costs compared to existing products, the first product makes it possible to continue offering coverage even in a low interest rate environment, and the second product uses the same mechanism to increase returns to policyholders. Both products inherit the feature of existing products which allows customers to simultaneously put in place both the funds they will use in their lifetimes and the funds they will leave behind, while expanding the eligible age range and revising rates by age group and gender, offering a broader response to customer needs.

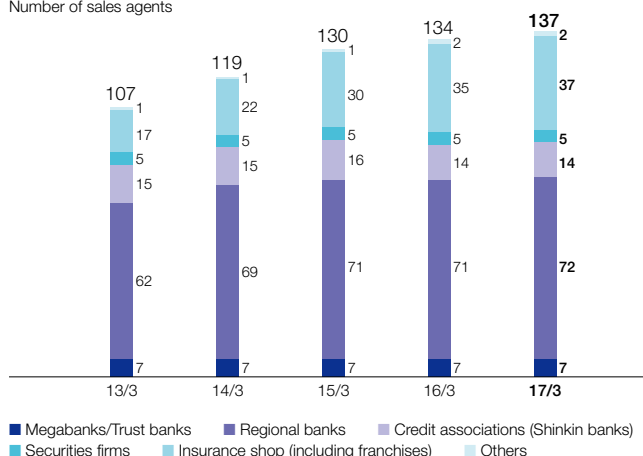
[Launch and Renewal of Main Products]

August 2016	Renewal of <i>Kakei Ni Yasashii Shunyuho</i> Renewal of <i>Hataraku Anata Ni Yasashii Hoken</i>
November 2016	Began offering the “Rider for Transfer to Whole Life Insurance Upon Reaching Target Value” Began offering the “Long-term Care Pension Payment Transfer Rider”
February 2017	Launched <i>Kakei Ni Yasashii Shushin Iryo</i>
May 2017	Launched <i>Shogai Premium Japan 4</i> Launched <i>Shogai Premium World 4</i>

MCEV
¥ billions



Sales Network
Number of sales agents



By working to develop its relationships with financial institutions and insurance shops through these and other products, the company has increased the number of sales agents which serve customers over-the-counter. As of the end of fiscal 2016, the company has entered into agency consignment contracts with a total of 137 financial institutions and others.

Future Growth

In fiscal 2017, the second year of the medium-term management plan, the company will continue the “diversification of product lineup,” “expansion of sales network of insurance agents,” and “improvement of customer service,” aiming to become the company of choice for customers and agents in the independent insurance agent market, thereby promoting the expansion of the new policy amount and EV.

Specifically, for single-premium products, the company will work to recover from the previous fiscal year through synergies between its *Shogai Premium Japan 4* and *Shogai Premium World 4* products. With respect to level premium products, the company is promoting to expand its agent network and market penetration for *Takei Ni Yasashii Shunyuho* and *Takei Ni Yasashii Shushin Iryo* products, with the goal of achieving a true multi-line model for First Sector and Third Sector insurance.

In addition, the company will ensure its business conduct is customer-oriented by developing products which respond to customer needs, working to improve services for seniors and so forth.

◆ Lineup of Main Products

◆ Lineup of Main Products	
Single-Premium Products	<p>Shogai Premium Series</p> <p><i>Shogai Premium Japan 4</i> [non-participating whole life insurance (accumulation-rate renewing type II)]</p> <p><i>Shogai Premium World 4</i> [non-participating foreign exchange rate linked whole life insurance (accumulation-rate renewing, multicurrency type IV)]</p> <p>Main Features:</p> <ul style="list-style-type: none"> Under the concept of “secure additional fund without the withdrawal from the premium reserve,” <i>Shogai Premium Series</i> is a cash flow type single-premium whole life insurance series which features annual additions of a prescribed bonus policy amount to the “accumulated bonus amount” throughout the insured’s lifetime. <i>Shogai Premium Japan 4</i> is a product for customers interested in investing in yen-denominated assets, as the annual bonus policy amount is steadily added to the accumulated bonus policy amount every year using JGB yields as its reference rate. <i>Shogai Premium World 4</i> is a product for customers interested in overseas interest rates, which are higher compared to domestic interest rates, and in foreign currencies, as the product is based on the reference rate which is linked to foreign currency (Australian dollar or U.S. dollar).
	<p><i>Takei Ni Yasashii Shunyuho</i> [non-participating income protection insurance (no surrender value type II)]</p> <p>Main Features:</p> <ul style="list-style-type: none"> This is an income protection insurance product which provides either a monthly survivor annuity or a disability annuity over a fixed period in the event of death or permanent disability of the insured. The product has set up premium which is more affordable than that of conventional term insurance products. In addition, by applying the waiver of premium payment rider for the three major diseases and the income protection rider for the three major diseases, the insured could prepare for the loss of income in the event where he or she suffers from one of the three major diseases (designated cancer, acute myocardial infarction and cerebral stroke) which come under a prescribed condition.
Level-Premium Products	<p><i>Kazoku Wo Tsunagu Shushinhoken</i> [non-participating special whole life insurance (type II)]</p> <p>Main Features:</p> <ul style="list-style-type: none"> The customer selects whole life insurance from two plans: the “basic plan” which secures death benefit from the beginning of the contract, or the “simple plan” in which the amount of death benefit is held down at the initial insurance period in order for customers to subscribe with a simple notification. A product which secures death benefits and at the same time addresses a wide range of asset formation and other needs of customers in the medium and long term, including funding for post-retirement living expenses and educational expenses for children.
	<p><i>Hataraku Anata Ni Yasashii Hoken</i> [non-participating specific disease income protection insurance (no surrender value type II)]</p> <p>Main Features:</p> <ul style="list-style-type: none"> Pays an annuity (with a choice of either fixed term annuity or annuity certain) for a prescribed condition resulting from specific diseases (cancer, acute myocardial infarction and cerebral stroke). The product specializes in living benefit coverage by eliminating death benefit which enables customers to prepare for the necessary living expenses according to their needs.
	<p><i>Takei Ni Yasashii Shushin Iryo</i> [Non-participating whole life medical insurance (no surrender value type I)]</p> <p>Main Features:</p> <ul style="list-style-type: none"> A simplified type of medical insurance which offers discounted premiums to non-smokers, and coverage which starts with one-day hospitalization and outpatient surgery. Riders and options available for short-term hospitalization, lifestyle diseases and advanced medical care, allowing coverage to be provided in line with the actual circumstances of medical practice.

Medium-Term Management Plan **Try & Discover for the Next Stage**

T&D Asset Management Co., Ltd.



Hiroshi Fujise
Representative Director
and President

As the T&D Life Group's core asset management company, T&D Asset Management aims to become a trusted asset management company in the eyes of customers.

Outlook for Full-Year Key Performance Indicator Fiscal 2017

▶ Adjusted operating income* **¥3.0 billion**

* Adjusted operating income is the actual income of T&D Asset Management after deducting commissions to sales companies and fees to external investment institutions to which asset management is entrusted.

Fundamental Strategy

- ▶ Further strengthen its competitiveness under a strategic policy of implementing both differentiation strategy based on “Make a Difference” slogan and customer-oriented management based on fiduciary duty
- ▶ Enhance growth areas by strategically allocating management resources
- ▶ Continue to transform the earnings structure to further improve management efficiency

Business Segments

Investment trust business	Provide a wide array of prime investment products mainly to a broad range of investors through sales companies (securities firms, etc.)
Investment advisory business	Provide adequate investment solutions to domestic and overseas pension funds and institutional investors

Operational Review and the Progress on the Medium-Term Management Plan

T&D Asset Management conducts investment trust business under which it sells investment trusts to investors through banks and securities companies, and investment advisory business under which it concludes investment advisory agreements, and manages the funds of pension funds and institutional investors.

Under the current medium-term management plan, the company is working to further strengthen its competitiveness by differentiating its asset management and product development capabilities in accordance with the strategic policy of “Make a Difference.”

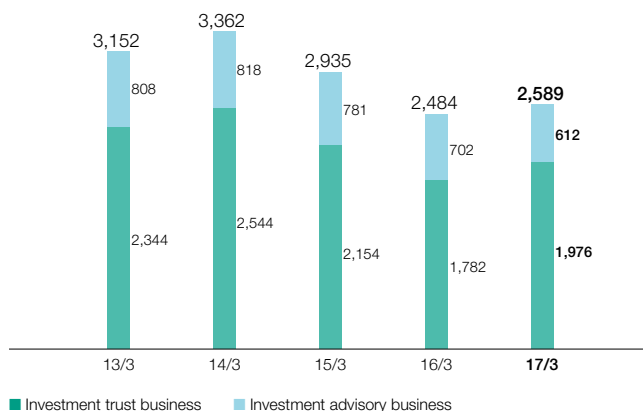
In fiscal 2016, investment trust assets under management stood at ¥1,064.0 billion, an increase of ¥450.6 billion from the previous fiscal year-end. This increase mainly reflected solid growth in the balance of assets under management centered on privately placed investment trusts.

On the earnings front, adjusted operating income rose 4.2% year on year to ¥2.5 billion, due to the increase in the balance of assets under management.

Looking ahead, as the asset management firm of the T&D Life Group, the company will continue to provide asset management services for the Group's life insurance companies and for external customers as the two main pillars of the company's business.

Adjusted Operating Income (by Business)

¥ millions



Pet & Family Small-amount Short-term Insurance Company



Masanori Nishida
Representative Director
and President

Pet & Family Small-amount Short-term Insurance aims to serve the needs of pet owners regarding veterinary care expenses of pets by making pet insurance more widely available. This will be achieved by expanding and strengthening the sales base centered on the pet shop sales channel.

Outlook for Full-Year Key Performance Indicator Fiscal 2017

- ▶ Number of policies in force **122,500**
- ▶ Number of new policies **30,000**

Fundamental Strategy

- ▶ Establish and strengthen a revenue base built on the trust as a member and small-amount short-term insurance company of the T&D Life Group
- ▶ Grow sales by expanding and strengthening the sales base centered on the core pet shop sales channel

Business Model

Market	Pets market
Sales channel	Agents (pet shops, etc.)
Products	Compensation insurance for pet veterinary care expenses

Operational Review and the Progress on the Medium-Term Management Plan

Pet & Family Small-amount Short-term Insurance Company provides pet insurance to cover veterinary care expenses mainly through pet shops, where many prospective pet owners meet their pets for the first time.

Under the current medium-term management plan, the company is striving to expand business and improve profitability by focusing on the development and expansion of pet shops, the core sales channel, and working on diversifying its sales channels through a multi-line approach.

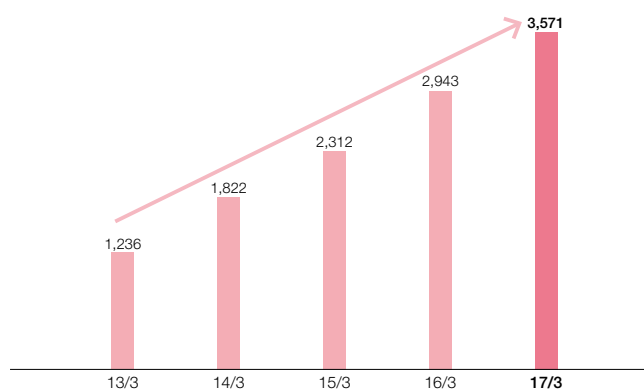
In fiscal 2016, the company's KPIs—the number of policies in force and the number of new policies—showed steady growth. The number of new policies in fiscal 2016 increased to 31,534 compared with 30,985 in fiscal 2015. The number of policies in force as of March 31, 2017 had increased to 115,827 compared with 96,434 as of March 31, 2016, surpassing the 100,000 mark.

Net premium income in fiscal 2016 rose by ¥600 million to ¥3,500 million, reflecting solid sales results.

The company will expand the sales base centered on the pet shop sales channel, along with providing competitive products and enhanced services, in order to achieve steady and sustained growth in the pet insurance market where further growth in demand is expected going forward.

◆ Net Premium Income (Pet Insurance)

¥ millions



ERM (Enterprise Risk Management)

ERM (Enterprise Risk Management) is a strategic management method used to achieve managerial goals such as raising corporate value and maximizing earnings, through the integrated management of profit, risk and capital.

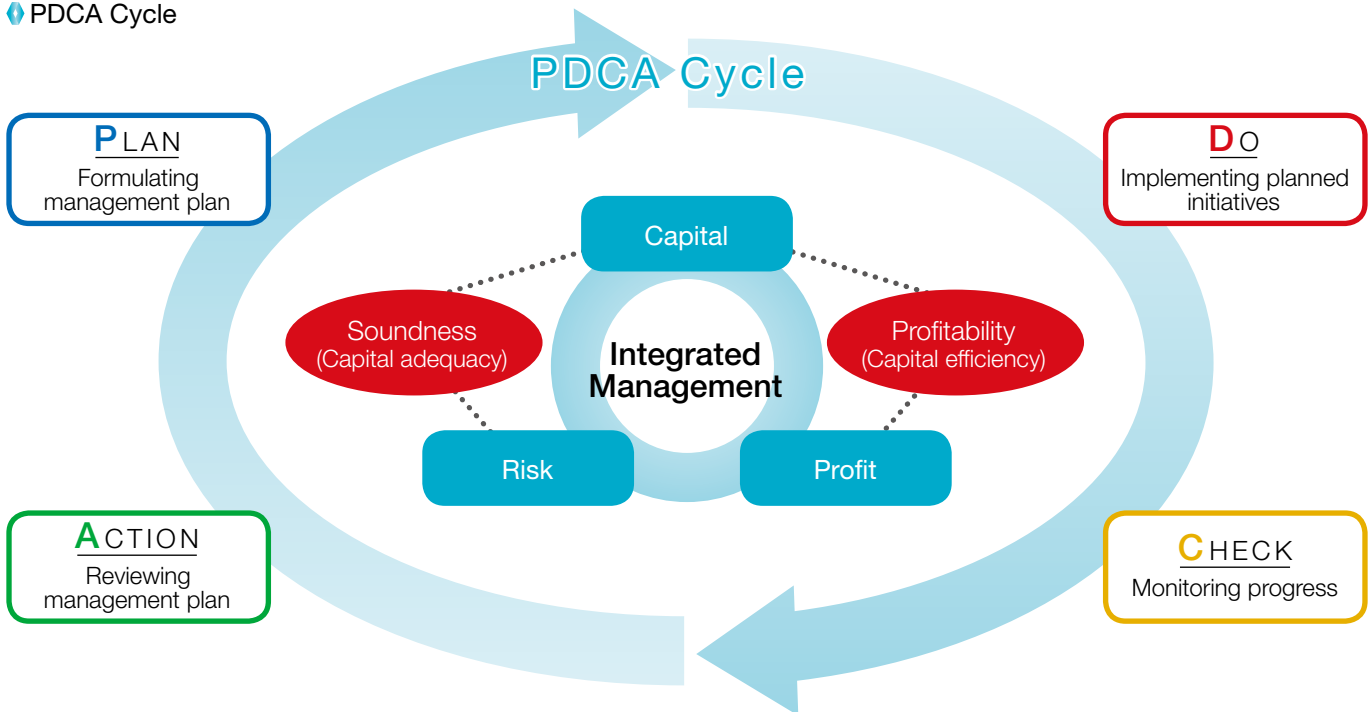
Under ERM, risk is not simply to be eliminated and reduced; but actively selected and assumed, giving consideration also to returns, namely, earnings.

The T&D Life Group has organized the Group ERM Committee to conduct ERM on a Groupwide basis. The committee leads efforts to promote ERM throughout the

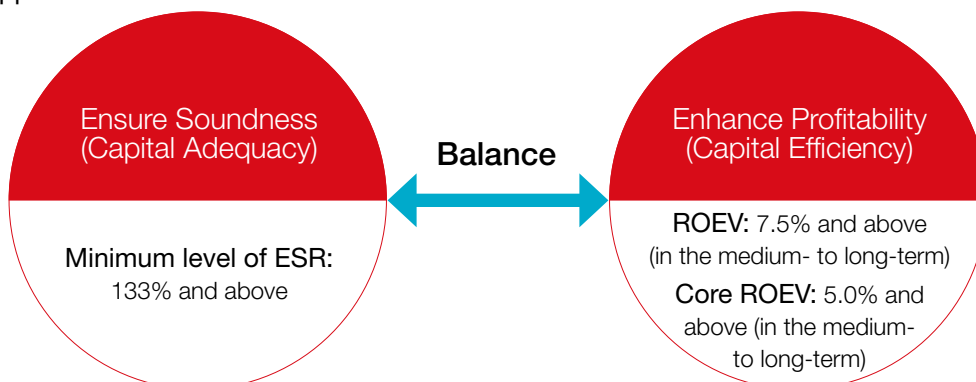
Group, aiming to improve its soundness while achieving stable and sustainable increases in corporate value.

Specifically, we evaluated our profits, risk, and capital in economic value basis and set standards for soundness and profitability, which represent the Group Risk Appetite. Then, we promote ERM through the “PDCA Cycle” of formulating a management plan which meets the Group Risk Appetite (Plan), implementing the planned initiatives (Do), monitoring the progress of implementation of the plan (Check), and reviewing the plan as necessary (Action).

◆ PDCA Cycle



◆ Group Risk Appetite



ROEV

Typically, “ROE (Return on Equity)” is used as an indicator of capital efficiency, but considering the specificities of the life insurance accounting, the Company uses “ROEV (Return on Embedded Value),” which is calculated using EV.

The Company has set an ROEV of 7.5% and above and a core ROEV, centered on the increase in EV according to new business acquisition, of 5.0% and above as medium- to long-term targets in our Group Risk Appetite.

$$\text{ROEV} = \frac{\text{Annual increase in EV (less capital movements)}}{\text{Annual average of EV}}$$

$$\text{Core ROEV} = \frac{\text{(Embedded value of new business + Expected existing business contribution from risk free rate)}}{\text{Annual average of EV}}$$

Status of ROEV and Core ROEV

	Medium- to long-term target level	Average (simple average)		March 2017
		Three years (FY2014–2016)	Five years (FY2012–2016)	
ROEV	7.5% and above	7.0%	9.5%	21.5%
Core ROEV	5.0% and above	5.5%	5.6%	6.9%

ESR

The Group has introduced ESR (Economic Solvency Ratio) as a financial soundness indicator based on economic value, and by controlling ESR within a set range, the Group works to maintain financial soundness and capital adequacy.

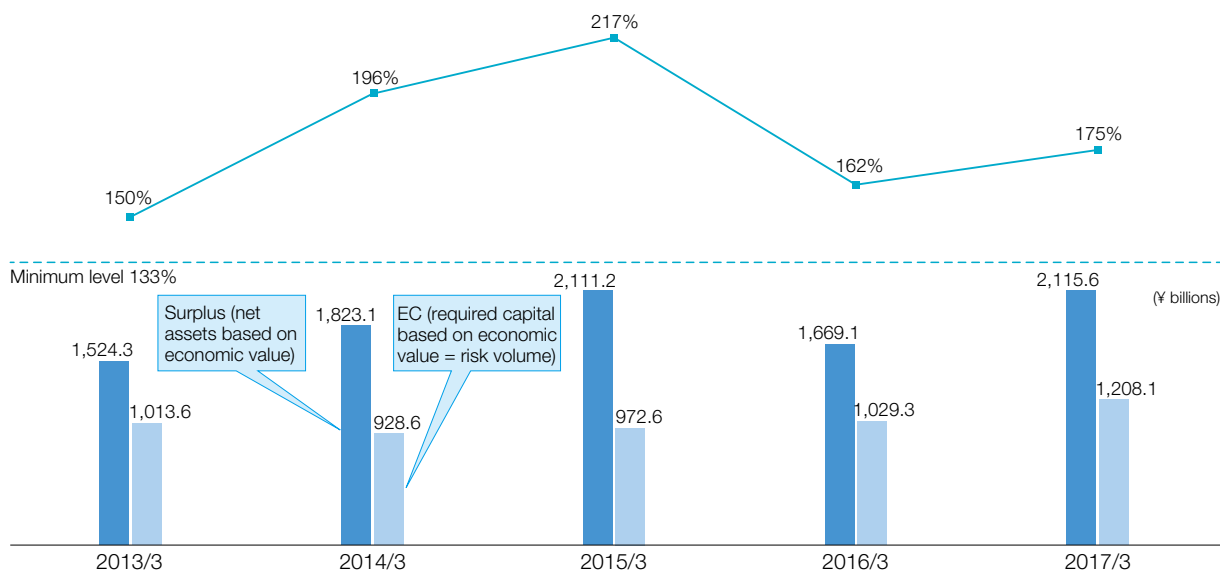
ESR is calculated by dividing net assets based on economic value (surplus) *1, evaluated using the same assumptions as for EV by the risk volume quantified using our internal model (economic capital) *2.

The minimum level of ESR of 133% in the Group Risk Appetite represents the capital level needed to cover VaR 99.93%.

$$\text{ESR} = \frac{\text{Net assets based on economic value (surplus)}}{\text{Risk volume (economic capital)}}$$

*1 The difference between assets and liabilities evaluated based on economic value. The evaluation of both assets and liabilities is calculated basically based on the same assumptions as MCEV. The cost of capital for risk margin has been set at 5% from the end of March 2017. It has been set referring to the Insurance Capital Standard (ICS) which the International Association of Insurance Supervisors (IAIS) is considering. The cost of capital for risk margin had been set at 6% on and before the end of March 2016.

*2 Risk volume represents the economic value based risk volume, calculated using an internal model (99.5% VaR, 1-year) after diversification effects. Required capital for MCEV is calculated using the same internal model.



Corporate Governance

T&D Holdings, Inc. (the “Company”) has been enhancing its corporate governance on the basic approach of creating efficient and transparent management systems to facilitate flexible and cohesive group operations.

The Company values the purport of the Japan’s Corporate Governance Code (the “Code”), which applies to listed companies, and has accepted all the principles of the Code while establishing the Basic Policy on Corporate Governance as an initiative in response to the major principles.

Basic Approach

The Company aims to achieve sustained growth and improvement of corporate value over the medium- to long-term by continuing to strengthen corporate governance, as described below.

- (1) The Company shall respect the rights of shareholders and strive to develop a conducive environment for shareholders to appropriately exercise those rights. Efforts shall also be made to ensure the effective equality of all shareholders.
- (2) The Company shall strive to foster a sound corporate culture and work environment by appropriately collaborating with a variety of stakeholders, including customers, shareholders, employees, insurance agents, business partners and local communities.
- (3) The Company shall strive to increase the transparency of management through appropriate and timely disclosure of corporate information, including financial information and non-financial information regarding management strategies, management priorities and other matters.
- (4) The Company shall strive to ensure the effectiveness of the Board of Directors’ oversight function over the execution of business as the holding company responsible for the business execution management function of each T&D Life Group (the “Group”) company.
- (5) The Company shall engage in constructive dialogue with stakeholders in order to contribute to the sustainable growth and the enhancement of corporate value over the medium and long term.

Promoting Group Management

The Company, as a holding company, fulfills the roles of deciding on the Group’s strategy, appropriately allocating the Group’s business resources and formulating capital strategies. Along with this, the Company shall strive to establish a Group business management system through such means as rigorously enforcing Group-wide risk-return management by accurately grasping the business risks borne by its five directly owned subsidiaries, centered on affiliates Taiyo Life Insurance Company, Daido Life Insurance Company, T&D Financial Life Insurance Company, as well as T&D Asset Management and Pet & Family Small-amount Short-term Insurance.

The directly owned subsidiaries, with their own unique business strategies, aim to expand the Group’s corporate

value by maximizing their uniqueness and specialization through determining marketing strategies and operating businesses in line with their strengths.

In this way, the Group is promoting group management by clarifying the respective roles and responsibilities of the Company and its directly owned subsidiaries.

Corporate Governance System

The Company shall make decisions on important business matters and oversee the execution of business through its Board of Directors. The Company is a “Company with Board of Auditors.” Accordingly, the Company shall audit the performance of directors’ duties through its Audit & Supervisory Board and audit & supervisory board members, which are independent of the Board of Directors.

In addition, the Company has introduced an executive officer system for the purpose of bolstering its business execution capabilities. By sharply delineating responsibilities for oversight and execution, the Company shall strengthen the governance function of the Board of Directors.

Furthermore, the Company shall establish a Nomination and Compensation Committee as an advisory body to the Board of Directors for the purpose of discussing the fairness and appropriateness of the appointment and compensation of directors and audit & supervisory board members, among other related issues, as well as for ensuring the transparency of management and enhancing accountability.

Roles of the Board of Directors

The Board of Directors shall make decisions on important business matters and oversee the execution of business in accordance with laws and ordinances, the Articles of Incorporation, and the Company’s relevant rules.

The Company’s Board of Directors has entrusted all authority related to the execution of business, other than matters stipulated in the preceding paragraph, to the representative director and president. Furthermore, the representative director and president delegates authority related to the execution of business to executive officers in charge of business operations for the purpose of separating oversight functions and business execution functions. This framework is designed to facilitate decision-making for business execution matters.

Composition of the Board of Directors and Directors

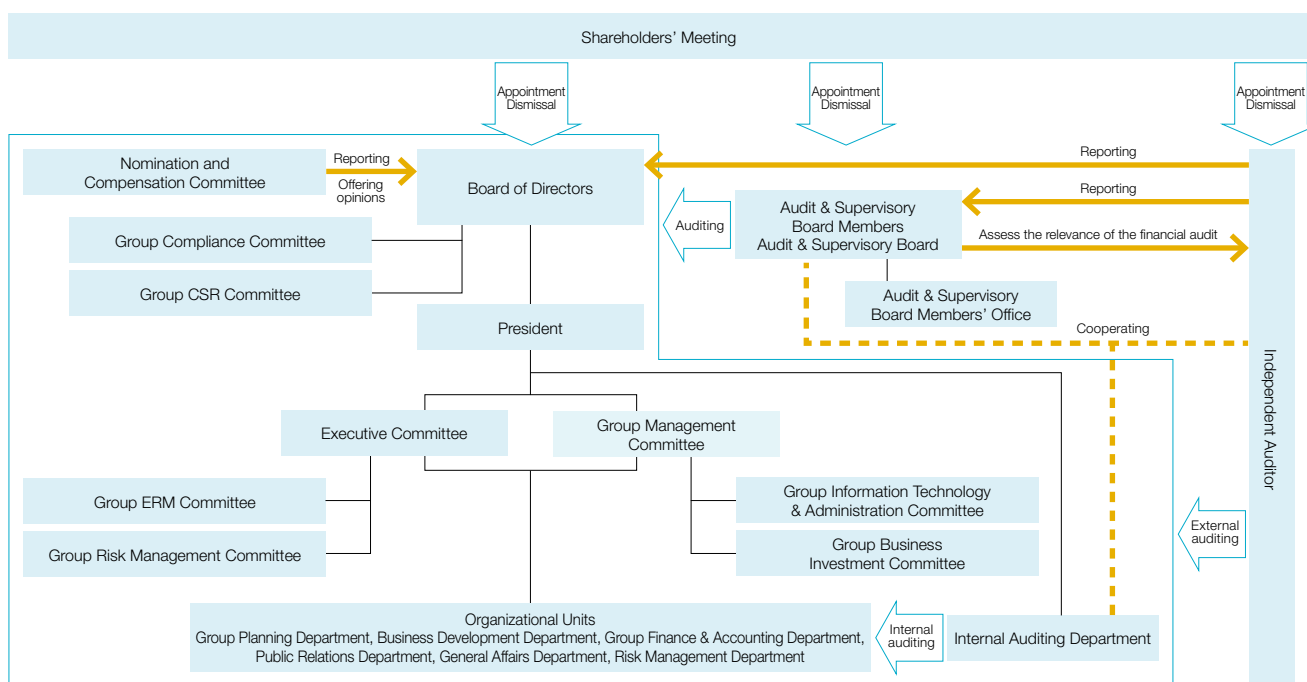
The number of directors shall be no more than 12 as stipulated by the Articles of Incorporation. The Board of Directors shall be made up of individuals representing a balance of knowledge, experience and skills, and having diverse backgrounds as befitting the expansive range of business domains in the life insurance business.

Moreover, the Company shall appoint two or more directors who concurrently serve at the Company and its directly owned subsidiaries, including the presidents of the three life insurance

companies. This shall be done from the standpoint of facilitating adequate communication and rapid decision-making within the Group, along with bolstering Group-wide governance.

Furthermore, the Company shall appoint two or more outside directors to appropriately reflect the opinions of individuals with extensive experience and knowledge in their capacity as outside corporate managers, legal experts and so forth in the Group's management policies and development of internal controls and other systems as well as in the oversight of the execution of business.

Corporate Governance Framework



(1) Shareholders' Meeting

The Shareholders' Meeting is the highest decision-making entity of the Company. At the meeting, reports are made on the Group's business and consolidated/non-consolidated financial statements, and resolutions are made on important issues, which are stipulated in laws and ordinances and the Articles of Incorporation, such as the appropriation of retained earnings and election of officers. The Ordinary General Meeting of Shareholders is held once a year.

(2) Board of Directors

The Board of Directors makes resolutions on important issues related to the business execution of the Company, and oversees the performance of directors and executive officers.

(3) Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board members audit the performance of duties by directors, and give proposals, advice, and suggestions to directors and the Board of Directors to ensure the sound management of the Company.

The Audit & Supervisory Board reports on important issues regarding audits performed by each Audit & Supervisory Board member, which are then deliberated and resolved.

(4) Executive Committee

The Executive Committee consists of the president, vice president and executive officers. The Executive Committee discusses important issues such as strategies related to the business management of the Group.

(5) Group Management Committee

The Group Management Committee consists of members including the president of the Company and the presidents of the three life insurance companies. The Group Management Committee discusses important issues such as the Group's cross-sectional strategies.

(6) Committees

Committees discuss the strategies and matters of the Company or those common to the Group.

Corporate Governance

Effectiveness Evaluation of the Board of Directors

To ensure the effectiveness of the Board of Directors, the Company conducts an annual performance review of the Board of Directors as a whole based on the self-evaluations of individual directors. The performance review examines whether the Board of Directors is functioning appropriately and producing results, and how the Board of Directors is contributing to increasing the Company's corporate value over the medium- to long-term.

Looking at the effectiveness of the Board of Directors as a whole in fiscal 2016, the Company conducted an analysis and evaluation of its Board of Directors based primarily on self-evaluations of individual directors and Audit & Supervisory Board members, as well as interviews with these individuals.

The main items of the self-evaluation questionnaire are as follows.

- (1) Function of the Board of Directors
- (2) Composition of the Board of Directors
- (3) Operation of the Board of Directors
- (4) Provision of information to Outside Directors/Auditors
- (5) Trainings (6) Overall assessment

The Company considers that the Board of Directors of the Company as a whole is generally performing its roles and responsibilities effectively.

Matters that were recognized as issues to be addressed (methods of deliberation, explanation and preparation of materials, etc.) in the fiscal 2015 assessment have generally been improved.

Regarding the development of a framework for activating the Board of Directors, the Company continues to recognize the necessity for improvement. For example, the Company will strive to review methods for deliberation/preparation of materials at the Board of Directors, as well as improvement of executive training. In addition, the Company will promote diversification in the composition of the Board of Directors.

Based on the assessment of effectiveness and other information, the Company is working to further improve the supervisory functions and decision-making processes of the Board of Directors.

Risk Management

In light of the important social role played by its life insurance business, the Group considers the accurate assessment and control of risk to be one of the top management priorities for ensuring sound and appropriate management. Under the supervision of the Company, each Group company carries out appropriate risk management based on the principle of self-responsibility.

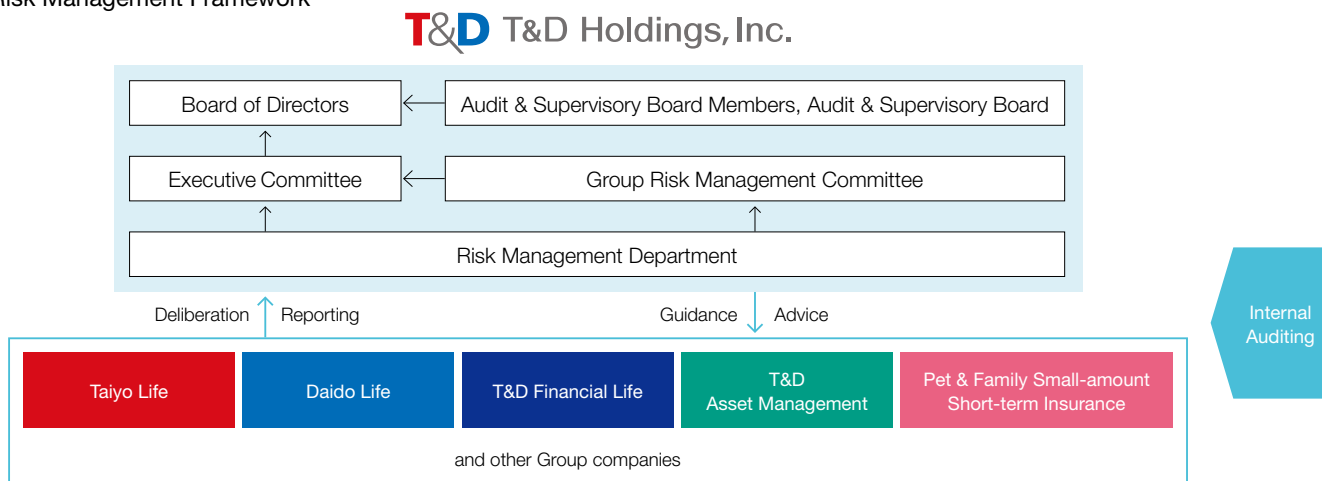
Furthermore, the Group conducts integrated risk management through such means as utilizing risk management indicators based on economic value, which values assets and liabilities on a mark-to-market basis.

Basic Policy on Risk Management and the Risk Management System

The Group has established a Group Risk Management Policy that sets forth the basic concepts for managing risk within the Group. Based on this policy, the Group companies, including the three life insurance companies, have developed their risk management systems which include their affiliates.

The Company has established the Group Risk Management Committee as a subordinate body of the Executive Committee to supervise the risks within the Group. The Group Risk Management Committee grasps and manages the condition of each Group company's various risks by receiving reports based on unified risk management indicators regularly or on an as-needed basis from the Group companies including the three life insurance companies. Meetings of the Group Risk Management Committee are held once a month in principle.

Risk Management Framework



In addition, the Company reports the risk condition of each Group company to the Board of Directors and on an as-needed basis, provides guidance and advice to the Group companies including the three life insurance companies. This not only ensures that each of the companies conducts thorough risk management but also strengthens Group-wide risk management.

Compliance

» Basic Compliance Policies

The Group has formulated the T&D Life Group CSR Charter, the T&D Life Group Compliance Code of Conduct, and the T&D Life Group Basic Policy for Strengthening the Compliance Structure. The Group ensures that corporate officers and employees are conversant with these basic compliance policies and standards to promote rigorous Group-wide compliance efforts.

» Compliance Promotion System

The Company is responsible for comprehensively promoting compliance throughout the Group, taking into account the business scale and special characteristics of the three insurance companies and other Group companies.

The compliance promotion system centers on the Group Compliance Committee, a subordinate body of the Board of Directors. The committee is responsible for monitoring and improving compliance activities throughout the Group. Chaired by the president and comprising all directors and executive officers with responsibility for business execution, the committee deliberates on various compliance-related issues, and ensures that measures in line with those decisions are thoroughly implemented. Meetings of the Group Compliance Committee are held once a quarter in principle.

The unit responsible for comprehensively implementing compliance promotion activities is the Risk Management Department, which works with the compliance departments of each of the life insurance companies, while conducting periodic monitoring and providing guidance and assistance. Compliance promotion systems at the three life insurance companies are centered on the compliance committees and departments of each company.

» Compliance Implementation

By implementing measures based on the basic policies and paying due consideration to the business scale and special characteristics of each Group company, the Group strives to ensure employee consciousness of compliance issues. For example, each Group company has established a Compliance Program to serve as a plan for ensuring strict compliance performance among all directors and employees. Moreover, the Group has created Compliance Guidelines to provide concrete explanations of how to thoroughly implement compliance regulations in the course of business operations.

• Internal Reporting System

Within the T&D Life Group, the life insurance companies and other Group companies previously operated their own internal reporting systems. In April 2005, however, the T&D Life Group Helpline was established for use by all corporate officers and employees in the Group. Ahead of the Whistleblower Protection Act of April 2006, this system means that rules applied to the T&D Life Group Helpline include the stipulation that whistleblowers will not suffer any disadvantageous treatment as a result of using the system to submit information relating to suspected compliance violations, and that rules have been made about paying attention to handling information. As a result, compliance-related reports can also be submitted anonymously by phone or online through an external independent company to help preserve anonymity, thereby enhancing the effectiveness of the system. The T&D Life Group is committed to promoting greater compliance through the use of this internal reporting system.

• Initiatives to Protect Personal Information

In complying with the Act on the Protection of Personal Information, the Company manages critical information security for personal data in particular, and monitors mechanisms for securely handling information across the T&D Life Group. As specific Group measures to protect personal information, the Company has put organizations and managers in charge of advancing the protection of personal information at the three life insurance companies, updated rules and manuals for protecting personal information, created and published the Privacy Policy for Personal Information Protection, and implemented training for employees about the protection of personal information.

Accountability

The Company works to disclose information in line with the basic concept of striving to increase the transparency of management by appropriately disclosing corporate information, including appropriate financial information and non-financial information regarding management strategies, management priorities and other matters.

In specific terms, the Company strives to provide easy-to-understand disclosure based on its core disclosure principles of timeliness, fairness and accuracy in order to maintain and reinforce trust among all of its stakeholders, including customers, shareholders, employees, insurance agents, business partners, and local communities, and to increase the level of transparency in its corporate governance.

In releasing information, the Company strives to disclose information to as many people as possible using various media.

Furthermore, the Company is actively engaged in IR activities based on its IR policy (see page 166), while ensuring that briefings are provided by members of senior management, in principle.

Corporate Governance

Basic Policy for Responding to Antisocial Forces

In its Group Compliance Code of Conduct, the T&D Life Group defines its policy toward antisocial forces as to “reject and stringently respond to any antisocial forces which threaten the order and safety of the civil society.” In accordance with this policy, the Group responds to antisocial forces in the following manner, and has announced this on the Company’s website.

1. Response as an Organization

When antisocial forces make unreasonable demands, the Company responds as a unified organization, rather than delegating this responsibility to the related personnel or divisions. Further, the Company takes steps to ensure the safety of the corporate officers and employees responsible for dealing with such unreasonable demands.

2. Cooperation with External Expert Organizations

The Company maintains close contact with external organizations, such as the police, the National Center for the Removal of Criminal Organizations, and lawyers, to protect itself against unreasonable demands from antisocial forces.

3. Ban Any Relations Including Transactions

The Company bans any relations including transactions with antisocial forces. In addition, the Company does not cooperate with unreasonable demands from antisocial forces. The same applies to loans and other transactions conducted in alliance with other companies, such as credit sales firms.

4. Legal Responses, Both Civil and Criminal in the Event of an Emergency

When necessary, the Company will take legal action in response to unreasonable demands from antisocial forces, including bringing civil and criminal charges against these forces.

5. Prohibition of Engagement in Secret Transactions and Provision of Funds

Even in the event which unreasonable demands of antisocial forces are in response to misdeeds in the Company’s business operations or by its corporate officers or employees, the Company will not engage in secret transactions with these forces to conceal the fact. Further, the Company will never provide funds to antisocial forces.

» Status of Development for Eliminating Antisocial Forces

1. Establishment of a Supervising Department

The Company has established a supervising department and is cooperating with relevant departments to establish a system for eliminating antisocial forces.

2. Cooperation with External Expert Organizations

The Company has established links between the legal counsel and local police.

3. Collection and Management of Information Relating to Antisocial Forces

The Company strives to collect information related to antisocial forces through affiliated organizations and so forth.

4. Preparation of a Response Manual

The Company has provided antisocial forces response regulations and detailed rules, and established a guideline for responding to antisocial forces.

5. Conducting Training Activities

The Company has established a training plan for its compliance programs and conducts regular annual training on how to ban any relations with antisocial forces.

Messages from Outside Directors

The three outside directors of T&D Holdings deliver messages on corporate governance and future initiatives.

Breathe “Soul” into Governance Without Running to Formalism

Ryuji Hori

Director
(outside officer, part-time)



Many Japanese companies recently have been working to strengthen corporate governance. The number of outside directors and their proportion to the total number of directors have been increasing. This in itself is a very good thing. However, there are some companies whose governance do not actually function properly despite having exemplary outside directors at the individual level. It is not a matter of simply abiding by formal requirements; a major issue for Japanese corporate governance going forward is how to breathe “soul” into governance.

To breathe soul into governance, it is very important to get to know the front line and not run to formalism. The Company creates various opportunities for outside directors and outside Audit & Supervisory Board members to observe actual worksites, including the sales, examination, and system development divisions of the Group’s life insurance companies, and this serves as invaluable reference material for understanding the background of debates at board meetings.

The non-mandated Nomination and Compensation Committee, which I chair, reviews appointment of corporate officers not only at the Company but also at the affiliated life insurance companies. In order to avoid any mismatches between faces and names of the candidates, we ask the Company to provide opportunities to meet them in person.

A contrivance to improve the effectiveness of the governance can also be seen in the career backgrounds of the outside directors. The Company has appointed three outside directors including me. I make full use of my own experience in management at a general trading company as well as a university professor specializing in legal affairs, and always strive to unreservedly express my opinions from both at a management and a legal standpoint. The other two outside directors have their own differing areas of expertise, and I think the composition is well-balanced. Further, regarding the board’s agenda, an environment to openly express one’s opinion is put in place with measures such as providing opportunities for outside directors to receive explanations directly from the departments involved beforehand.

In Japan, with the aging population and a declining birth rate, there is a view that the life insurance market will shrink. However, by virtue of providing unique products and services for seniors which preempts the changes of the times, the Group has successfully cultivated the domestic life insurance market. The aging of the society has in fact, led to the expansion of business opportunities for the Group. Going forward, please do look forward to the T&D Life Group’s initiatives for a society where seniors can live with a peace of mind and participate actively.

Messages from Outside Directors



Thoroughly Demonstrate the Monitoring Function with the Understanding of the Unique Governance

Haruka Matsuyama

Director
(outside officer, part-time)

Four years have passed since I was appointed as an outside director of the Company. Japan's Companies Act and Corporate Governance Code require outside directors to demonstrate the monitoring function against the management, and it is generally recognized that outside directors also serve as management advisors. As an attorney specialized in areas including Companies Act and Corporate Governance Code, I have strived the past four years to fulfill my role as an outside director through proposals and other feedback based on my experience and knowledge.

The most important place for monitoring is the Board of Directors. I think the Company's board is exceptional for its well organized "reporting items" and regular, highly detailed reports. The monitoring of business execution, including the monitoring of the management of the Group's operating companies, is in a sense, a matter of course for a financial holding company, but receiving reports not only after problems surface but also reports which allow fixed-point observation of overall management are very helpful to me as an outside director.

Including its monitoring systems, the Company has constructed a highly unique form of governance. The biggest determining characteristic of our governance system is that the Company, under a holding company structure, holds two

life insurance companies of an equivalent size, Taiyo Life and Daido Life. This functions as both competition and restraint within the Group a good way. It can be said that this balance of the holding company and its affiliated life insurance companies itself is supporting the governance of the overall T&D Life Group. From my standpoint as an outside director, I intend to continue demonstrating the monitoring function thoroughly in order to prevent this exquisite balance from being disrupted. Further, the Company has established the Nomination and Compensation Committee, which is not mandated by law. With regard to the committee's operations, progressive initiatives have started including discussion on a succession plan.

The Company is implementing a robust management with a long-term outlook under a solid governance. At the same time, the Company continues to grow by promptly identifying the needs of the customer and the society and actively launching highly distinctive strategies. I believe T&D Holding is a company which could be invested over the long term with a sense of security. Therefore I would invite investors to keep their attention focused on the Company.

Respect the Distinctive Business Strategy and Increase the Value of the Entire Group

Naoki Ohgo

Director
(outside officer, part-time)



I was appointed as an outside director of the Company in June 2017. My principal profession is management consulting, and from that standpoint, I think it is extremely important for a company to develop its own distinctive strategy. On the other hand, when you turn to the strategies of Japanese financial institutions, they have a strong tendency to lay out similar strategies, and business integration seems to simply aim for the expansion in scale.

In this respect, the T&D Life Group's three core life insurance companies each have their own distinct business strategies, and these strategies are developed on a unified basis under a holding company. The Group has a very unique presence which has drawn my attention since at the time of its establishment.

Japanese life insurance industry is in a difficult business environment where its business operation will definitely contract in a natural posture due to a declining population. Therefore, how to fight back this situation will be the key to any growth strategy. The Company will not necessarily fit in to a strategy which makes full use of its capital resources and scale merits. Rather, it has thus far created business opportunities by anticipating the changes of the times and launching exceptional products and services ahead of the competition. I am

convinced that the Company will be able to survive in a difficult competitive environment through a unique strategy which cannot be matched by other companies. I considered there is a role for me to make this possible, and it was on this basis that I decided to participate in the Company's management.

What I've observed since taking up this appointment is that one of the Company's strengths is its governance which is, in a good sense, thoroughly committed to the fundamentals of a management theory. Pursuing fundamentals are easier said than done. At board meetings, what is currently taking place internally and how it is being addressed is explained sufficiently, including the decision-making processes involved. I think this sincere attitude is another factor sustaining the Company's growth.

To become strong as a whole, each individual domain must become strong. The Group is striving to increase its entire value through each Group company having its own distinctive strategy and growing stronger under a single governance. Together with all the Group's executives and employees, I intend to devote myself in the role of outside director to facilitate the growth of the entire Group.

Management Organization

Board of Directors (As of June 28, 2017)



Representative Director and President

TETSUHIRO KIDA Born 1953

- | | | | |
|-----------|--|-----------|---|
| Apr. 1976 | Joined Daido Life | Jun. 2007 | Director and Managing Executive Officer of T&D Holdings |
| Mar. 1999 | General Manager of Planning Department of Daido Life | Apr. 2008 | Director and Senior Managing Executive Officer of T&D Holdings |
| Jul. 2000 | Director of Daido Life | Apr. 2010 | Representative Director and President of Daido Life, Director of T&D Holdings |
| Apr. 2003 | Managing Director of Daido Life | Apr. 2015 | Representative Director and Chairman of Daido Life (current), Representative Director and President of T&D Holdings (current) |
| Jun. 2006 | Managing Executive Officer of Daido Life | | |
| Apr. 2007 | Director of T&D Financial Life, Director of T&D Asset Management, Managing Executive Officer of T&D Holdings | | |



Representative Director and Executive Vice President (Group Planning Department)

HIROHISA UEHARA Born 1962

- | | | | |
|-----------|--|-----------|--|
| Apr. 1984 | Joined Taiyo Life | Apr. 2014 | Executive Officer of Taiyo Life |
| Jan. 2005 | General Manager of Investment Planning Department of Taiyo Life | Jun. 2014 | Director and Executive Officer of Taiyo Life |
| Feb. 2005 | Director of T&D Asset Management | Apr. 2015 | Director and Managing Executive Officer of Taiyo Life |
| Apr. 2007 | General Manager of Group Planning Department of T&D Holdings | Apr. 2016 | Director and Senior Managing Executive Officer of Taiyo Life |
| Apr. 2010 | Director of T&D Asset Management | Apr. 2017 | Director of Taiyo Life (current), Executive Vice President of T&D Holdings |
| Apr. 2011 | Executive Officer and General Manager of Group Planning Department of T&D Holdings | Jun. 2017 | Director of T&D Financial Life (current), Representative Director and Executive Vice President of T&D Holdings (current) |
| Apr. 2012 | Director of T&D Financial Life | | |



Director and Executive Vice President (Business Development Department)

SONOSUKE USUI Born 1953

- | | | | |
|-----------|---|-----------|--|
| Apr. 1976 | Joined Daido Life | Jun. 2009 | Director of T&D Asset Management |
| Sep. 1996 | General Manager of Separate Account Investment Department of Daido Life | Apr. 2010 | Director of T&D Financial Life, Senior Managing Executive Officer of T&D Holdings |
| Jul. 2000 | Director of Daido Life | Jun. 2010 | Director of Daido Life (current), Director and Senior Managing Executive Officer of T&D Holdings |
| Jul. 2001 | Representative Director and President of T&D Taiyo-Daido Asset Management | Apr. 2011 | Director and Executive Vice President of T&D Holdings |
| Jul. 2002 | Representative Director and President of T&D Asset Management | Jun. 2013 | Representative Director and Executive Vice President of T&D Holdings |
| Apr. 2008 | Senior Managing Executive Officer of T&D Financial Life | Apr. 2015 | Director and Executive Vice President of T&D Holdings (current) |
| Jun. 2008 | Representative Director and Senior Managing Executive Officer of T&D Financial Life | | |



Director and Senior Managing Executive Officer (General Affairs Department, Internal Auditing Department)

TERUNORI YOKOYAMA Born 1954

- | | | | |
|-----------|--|-----------|--|
| Apr. 1977 | Joined Taiyo Life | Jun. 2007 | Director and Managing Executive Officer, and Marketing Executive General Manager of Taiyo Life |
| Jul. 2003 | General Manager of General Planning Department of Taiyo Life | Feb. 2008 | Director and Managing Executive Officer of Taiyo Life |
| Apr. 2004 | General Manager of Group Planning Department of T&D Holdings | Jun. 2009 | Managing Executive Officer of T&D Holdings, Director and Managing Executive Officer of T&D Holdings |
| Jun. 2006 | Executive Officer and General Manager of Group Planning Department of T&D Holdings | Apr. 2014 | Director and Senior Managing Executive Officer of Taiyo Life (current), Director and Senior Managing Executive Officer of T&D Holdings (current) |
| Apr. 2007 | Managing Executive Officer and Marketing Executive General Manager of Taiyo Life | | |



Director and Senior Managing Executive Officer (Risk Management Department)

KOICHI SEIKE Born 1956

- | | | | |
|-----------|---|-----------|--|
| Apr. 1980 | Joined Daido Life | Jun. 2011 | Director and Managing Executive Officer of Daido Life |
| Apr. 2003 | General Manager of Profit Management and Actuarial Department of Daido Life | Apr. 2014 | Managing Executive Officer of T&D Holdings |
| Jun. 2006 | Executive Officer of Daido Life | Jun. 2014 | Director and Managing Executive Officer of T&D Holdings |
| Apr. 2010 | Managing Executive Officer of Daido Life | Apr. 2016 | Director and Senior Managing Executive Officer of Daido Life (current), Director and Senior Managing Executive Officer of T&D Holdings (current) |



Director and Managing Executive Officer (Group Finance & Accounting Department, Public Relations Department)

CHIKAHIRO TSUBOI Born 1957

- | | | | |
|-----------|---|-----------|---|
| Apr. 1980 | Joined Taiyo Life | Apr. 2014 | Director and Managing Executive Officer of Taiyo Life |
| Mar. 2009 | General Manager of Securities Investment Department of Taiyo Life | Apr. 2015 | Managing Executive Officer of T&D Holdings |
| Apr. 2010 | Executive Officer of Taiyo Life | Jun. 2016 | Director of T&D Financial Life (current), Director of T&D Asset Management (current), Director and Managing Executive Officer of T&D Holdings |
| Jun. 2010 | Director and Executive Officer of Taiyo Life | Apr. 2017 | Director and Senior Managing Executive Officer of T&D Holdings (current) |
| Oct. 2011 | Audit & Supervisory Board Member of T&D Asset Management | | |



Director

RYUJI HORI* Born 1943

* Mr. Horii is an outside director as provided for in the Japanese Companies Act.

Apr. 1966 Joined Iwai Sangyo Company
 Jun. 1996 Director of Nissho Iwai Corporation
 Jun. 2000 Managing Director of Nissho Iwai Corporation
 Jun. 2002 Senior Managing Executive Officer of Nissho Iwai Corporation
 Apr. 2003 Professor of Waseda University School of Law
 Apr. 2004 Professor of Waseda Law School

Jun. 2006 Audit & Supervisory Board Member of Daido Life
 Jun. 2010 Director of Daido Life
 Jun. 2012 Director of T&D Holdings (current)



Director

HARUKA MATSUYAMA* Born 1967

* Ms. Matsuyama is an outside director as provided for in the Japanese Companies Act.

Apr. 1995 Assistant Judge to the Tokyo District Court
 Jul. 2000 Registered as an Attorney
 Jun. 2013 Director of T&D Holdings (current)



Director

NAOKI OHGO Born 1962

* Mr. Ohgo is an outside director as provided for in the Japanese Companies Act.

Apr. 1985 Joined McKinsey & Company, Inc.
 Jul. 1999 Partner of McKinsey & Company, Inc.
 Jul. 2005 Executive Officer of GE Consumer Finance K. K.
 (currently Shinsei Financial Co., Ltd.)
 Aug. 2008 Representative Director of Root F Co., Ltd. (current)
 Jun. 2017 Director of T&D Holdings (current)



Director

KATSUhide TANAKA Born 1954

Apr. 1977 Joined Taiyo Life
 Sep. 2000 General Manager of Policy Service, Conservation and Premium Receipts Department of Taiyo Life
 Jul. 2001 Director of Taiyo Life
 Mar. 2004 Managing Director of Taiyo Life
 Jun. 2006 Director and Managing Executive Officer of Taiyo Life
 Apr. 2007 Director and Senior Managing Executive Officer of Taiyo Life
 May 2007 Director and Senior Managing Executive Officer, and Customer Service Executive General Manager of Taiyo Life

Feb. 2008 Director and Senior Managing Executive Officer, and Marketing Executive General Manager of Taiyo Life
 Jun. 2008 Representative Director and Senior Managing Executive Officer, and Marketing Executive General Manager of Taiyo Life
 Jun. 2009 Representative Director and Executive Vice President, and Marketing Executive General Manager of Taiyo Life
 Apr. 2011 Representative Director and President of Taiyo Life (current)
 Jun. 2011 Director of T&D Holdings (current)



Director

MINORU KUDO Born 1955

Apr. 1978 Joined Daido Life
 Apr. 2005 General Manager of General Marketing Department of Daido Life
 Jun. 2005 Director of Daido Life
 Jun. 2006 Executive Officer of Daido Life
 Apr. 2008 Managing Executive Officer of Daido Life

Jun. 2009 Director and Managing Executive Officer of Daido Life
 Apr. 2011 Director and Senior Managing Executive Officer of Daido Life
 Apr. 2014 Representative Director and Executive Vice President of Daido Life
 Apr. 2015 Representative Director and President of Daido Life (current)
 Jun. 2015 Director of T&D Holdings (current)



Director

MASAFUMI ITASAKA Born 1963

Jun. 2004 Joined Daido Life
 Sep. 2007 General Manager of Business Development Department of T&D Financial Life
 Apr. 2011 Executive Officer of T&D Financial Life
 Apr. 2015 Managing Executive Officer of T&D Financial Life
 Jun. 2015 Director and Managing Executive Officer of T&D Financial Life

Apr. 2017 Representative Director and President of T&D Financial Life (current)
 Jun. 2017 Director of T&D Holdings (current)

Management Organization

Audit & Supervisory Board Members (As of June 28, 2017)



Audit & Supervisory Board Member

TAKASHI SHIMODA Born 1957

Apr. 1979 Joined Daido Life
Apr. 2005 General Manager, Public Relations Department of T&D Holdings

Apr. 2009 General Manager, Auditing Department of Daido Life
Mar. 2014 Audit & Supervisory Board Member of Daido Life
Jun. 2014 Audit & Supervisory Board Member of T&D Holdings (current)



Audit & Supervisory Board Member

JUNICHI YANAI Born 1961

Apr. 1984 Joined Taiyo Life
Apr. 2017 Deputy General Manager of General Affairs Department
Jun. 2017 Audit & Supervisory Board Member of Taiyo Life (current),
Audit & Supervisory Board Member of T&D Holdings (current)



Audit & Supervisory Board Member

SHIGEKAZU IWAI* Born 1945

Apr. 1972 Registered as an Attorney
Apr. 1991 Vice President of the Tokyo Bar Association
Apr. 2004 President of the Tokyo Bar Association, Vice President of the Japan Federation of Bar Associations
Jun. 2012 Audit & Supervisory Board Member of Daido Life
Audit & Supervisory Board Member of T&D Holdings (current)

* Mr. Iwai is an outside Audit & Supervisory Board member as provided for in the Japanese Companies Act.



Audit & Supervisory Board Member

YUICHI OZAWA* Born 1943

Apr. 1969 Registered as an Attorney
May 1985 Organizer, Commercial Law Subcommittee of the Legislative Council of the Ministry of Justice
Apr. 1991 Professor of Legal Training and Research Institute, Supreme Court of Japan (Defense of Civil Cases)
Jan. 1998 Member of National Bar Examination Committee (Commercial Law)

* Mr. Ozawa is an outside Audit & Supervisory Board member as provided for in the Japanese Companies Act.

Jun. 2007 Audit & Supervisory Board Member of Taiyo Life
Jun. 2013 Audit & Supervisory Board Member of T&D Holdings (current)

Corporate Governance Data

Total Compensation Paid to Directors and Audit & Supervisory Board Members (Fiscal 2016)

Category	Monthly compensation		Reserve for bonuses		Stock compensation-type stock options		Compensation total	
	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)	Number receiving compensation	Amount (¥ millions)
Directors	12	¥201	6	¥64	6	¥62	12	¥328
(Outside appointees)	(2)	(19)	(0)	(-)	(0)	(-)	(2)	(19)
Audit & Supervisory Board members	4	74	0	-	0	-	4	74
(Outside appointees)	(2)	(19)	(0)	(-)	(0)	(-)	(2)	(19)
Total	16	¥275	6	¥64	6	¥62	16	¥403

- The annual compensation limit established at a shareholders' meeting is ¥500 million for directors and ¥130 million for Audit & Supervisory Board members. Bonuses are included in the amount for directors. In addition, the annual compensation limit for stock compensation-type stock options (stock acquisition rights) for directors is ¥100 million, established separately from the above annual compensation limit for directors (excluding outside directors).
- The abovementioned payments include one director who stepped down from their posts as of the close of the twelfth Ordinary General Meeting of Shareholders held on June 28, 2016. As of March 31, 2017, the Group had eleven directors and four Audit & Supervisory Board members.

Information Related to the Independent Financial Auditor (Fiscal 2016)

Name	Ernst & Young ShinNihon LLC
Amount paid for statutory services ¹	¥188 million
Total remuneration to be paid by the Group to the independent financial auditor ²	¥409 million

- Total amount of remuneration for audit attestation services pursuant to Article 2, Paragraph 1 of the Certified Public Accountants Act.
- Total amount of remuneration and other financial profits to be paid by T&D Holdings and its subsidiaries.

Number of Stocks Held by the Directors and Audit & Supervisory Board Members

	June 28, 2017	June 28, 2016	June 25, 2015
President	24,184 shares	21,909 shares	19,764 shares
Other directors (average)	15,733 shares	16,481 shares	13,061 shares
Audit & Supervisory Board members (average)	4,817 shares	5,570 shares	4,712 shares

Information Related to the Board of Directors, Audit & Supervisory Board, Executive Committee, and Group Management Committee (Fiscal 2016)

Name	Number of meetings	Attendance rate	Main members and attendees
Board of Directors	21	97.5%	Directors and Audit & Supervisory Board members
Audit & Supervisory Board	15	93.3%	Audit & Supervisory Board members
Executive Committee	54	96.4%	President, vice president and executive officers
Group Management Committee	17	98.1%	President, presidents of the three life insurance companies, etc.

Existence of Policy or System

Item	Yes/No	Comments
Executive officer system	Yes	
Framework for setting directors' compensation	Yes	Disclosed in business report, "YUHO Report," and other financial documents
Director/Audit & Supervisory Board member share ownership	Yes	
Stock option system	Yes	
Liability limitation contract for outside directors and outside Audit & Supervisory Board members	Yes	
Liability limitation contract for the independent financial auditor	No	
Hostile takeover protection plan	No	
Basic code of ethics	Yes	T&D Life Group CSR Charter
Basic corporate ethics policy	Yes	T&D Life Group Compliance Code of Conduct

CSR Management

T&D Life Group aims for the realization of the Group's sustained growth by confronting the changing social issues and creating value to society through providing insurance products and services necessary for the society.

T&D Life Group's Corporate Philosophy

With our "Try & Discover" motto for creating value,
we aim to be a group that contributes to all people and societies.

Group CSR Charter

[Preamble]

The T&D Life Group is firmly committed to fulfilling the public mission of life insurance and other businesses and to undertaking its corporate social responsibilities based on its management philosophy and by achieving sustainable growth along with society.



Providing Better
Products and Services



Strict Compliance



Respect for Human Rights



Communication



Contribute to Communities
and Society

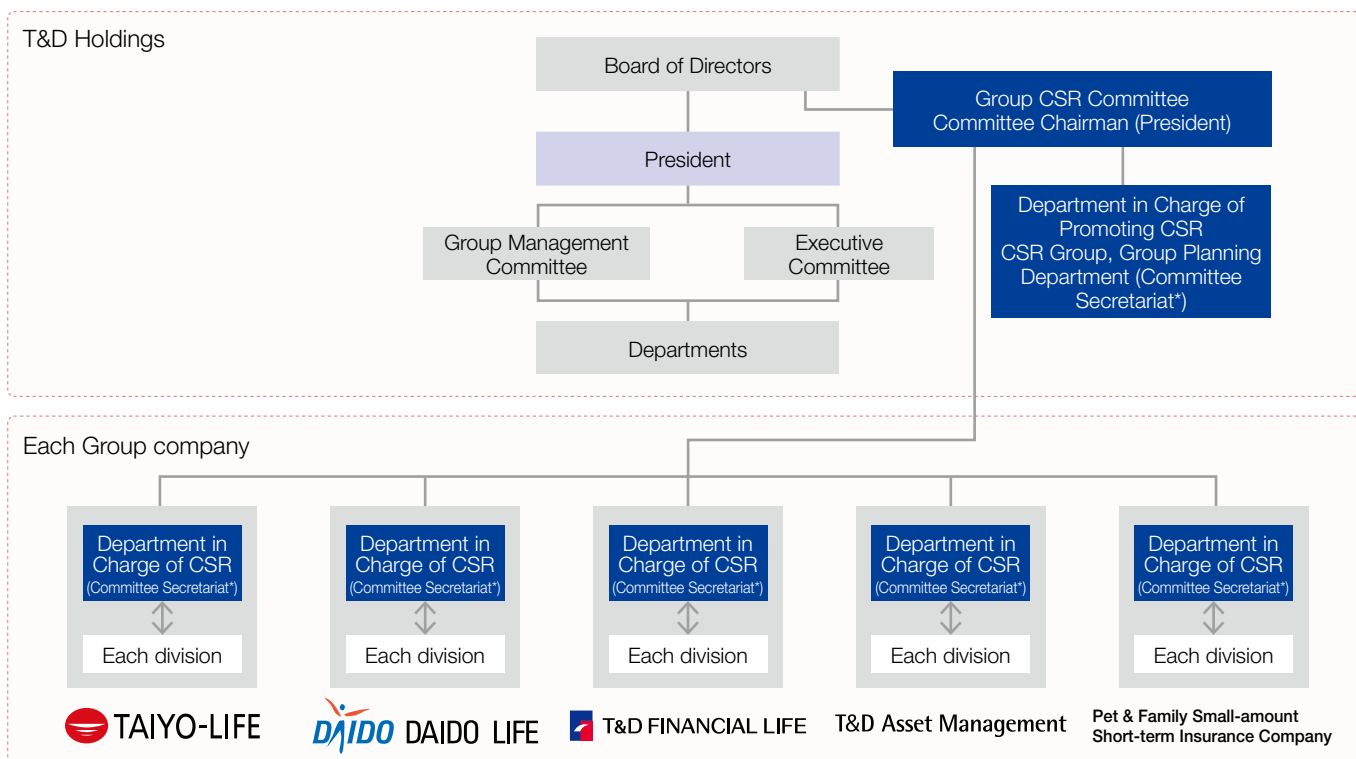


Global Environmental
Protection

CSR Promotion Framework

The T&D Life Group has established the Group CSR Committee of which the members include the directors in charge of CSR at each Group company. The Committee serves as the cornerstone for promoting the Group's CSR activities. It will decide basic policies for the Group's CSR activities and select priority areas, along with formulating annual plan and regularly confirming the implementation status of the plan.

The T&D Life Group's CSR Promotion Framework (as of July 31, 2017)



* Committee Secretariat = Group CSR Committee Secretariat

- **Group CSR Committee:** The committee is chaired by the president of T&D Holdings (Representative Director and Chairman of the Board of Directors), and vice-chaired by the executive officer in charge of the Group Planning Department. In fiscal 2016, meetings of the committee were held four times. Issues discussed/considered and information shared have been reported to the Board of Directors.

The department in charge of CSR at T&D Holdings and each Group company comprises the Group CSR Committee Secretariat. The Secretariat promotes CSR activities by sharing information on the CSR activities of each Group company, in conjunction with assisting with the management and activities of the Group CSR Committee.

- **Departments in Charge of CSR at T&D Holdings:** CSR Group, Group Planning Department, T&D Holdings
- **Departments in Charge of CSR at Group Companies:** Establishment of departments in charge of CSR in planning departments of Group companies

CSR Priority Areas

The T&D Life Group is promoting the Group's CSR activities by identifying CSR priority areas from the various fields of CSR activity related to its business activities, which should be prioritized from both the magnitude of the impact on stakeholders and the steady and sustainable improvement of the Group's corporate value, as "Providing Better Products and Services," "Respect for Human Rights" and "Global Environmental Protection."



● Process for Selecting Priority Areas

[Categorize fields of activity]

Referencing the ISO 26000 standard and the GRI guidelines, the Group has categorized its CSR activities into 15 areas.

[Prioritize each field]

The three fields were selected as choices of priority areas based on a quantitative assessment of both their impact on stakeholders*¹ and their impact on the Group's steady and sustainable improvement of the corporate value*².

*¹ Assessed based on findings from stakeholder dialogues, criteria of SRI assessment organizations, and the status of other companies' CSR efforts.

*² Assessed based on relevance to the T&D Life Group's corporate philosophy, management vision and Group CSR Charter, and the nature of the Group's CSR activities.

[Evaluate and select priority areas]

The three choices for priority areas were confirmed as relatively high priority in terms of social concern and the degree of intensity of demand for initiatives, realization of the Group's corporate philosophy, management vision and the Group CSR Charter, and in terms of contribution to SDGs*³, were then selected as priority areas.

*³ "Sustainable Development Goals" refers to the goals adopted at the United Nations Sustainable Development Summit 2015, for the realization of sustainable development at the global level through the cooperation of the global community.

[Verify the appropriateness of priority areas]

- The Group had a hearing and a verification check of the evidence of the priority area selection process from the third-party organization and received a report on the results of the review.
- The Group CSR Committee (chaired by the president of T&D Holdings) deliberated and approved the selection of priority areas, which were reported to the Board of Directors.

Priority Area (1) Providing Better Products and Services

T&D Life Group believes that the most fundamental social responsibility the Group must fulfill is to offer products and services which address the constantly changing needs of society and customers due to the ongoing aging of society and low birth rate.

1 Examples of initiatives by the three life insurance companies

Examples of initiatives by Taiyo Life, Daido Life, and T&D Financial Life are shown on the following pages.

Taiyo Life: P.30–33

Daido Life: P.34–37

T&D Financial Life: P.38–41

2 Examples of initiatives by T&D Asset Management

[Products that Contribute to the Formation of a Sustainable Society]

T&D Asset Management has established and manages the Japanese Equity ESG Research Fund. The fund selectively invests in companies with an outstanding ESG (Environmental, Social and Governance) performance based on ESG research which seeks to generate investment returns that outperform the medium- to long-term market average while contributing to the formation of a sustainable society by investing in companies which contribute to the reduction of environmental impact and the achievement of a sound society.



3 Examples of initiatives with Pet & Family Small-amount Short-term Insurance

[Insurance Protection for Precious Family Members]

As more pet owners recognize their pets as family members, interest in pet healthcare and its associated costs is increasing.

Pet & Family Small-amount Short-term Insurance provides *Genki Number One* and *Genki Number One Slim*, products that compensate for a portion of the costs of treatments for pets at veterinary clinics due to illness or injury. These products help to ensure that pet owners can obtain veterinary treatment for their pets with peace of mind.



CSR Priority Areas

Priority Area (2) Respect for Human Rights

The T&D Life Group believes that supporting and showing respect for the protection of internationally declared human rights, and promoting the creation of a comfortable working environment where employees are able to respond to the needs of society, will lead to the growth of the company and the vitalization of society, and are important corporate responsibilities which the Company must fulfill.

1 Work-life Balance Initiatives

Each of the T&D Life Group companies has been strengthening various efforts such as enhancing systems such as childcare leave and a reduction of total working hours, aimed at enabling employees to demonstrate their capabilities and improve their performance at work while at the same time fulfilling their responsibilities at home including housework, childcare and nursing care.

● Acquisition of Maternity and Childcare Leave

	FY2014	FY2015	FY2016
Number of employees taking maternity leave	234	290	328
Number of employees eligible to take childcare leave	410	432	462
Male	176	142	134
Female	234	290	328
Number of employees taking childcare leave	366	406	450
Male	153	140	133
Female	213	266	317
Number of employees taking nursing care leave	6	8	12
Male	0	0	0
Female	6	8	12

* The acquisition of maternity and childcare leave at the three life insurance companies.

* The number of administrative personnel at the three life insurance companies who have returned to work after taking childcare leave is as follows.

Fiscal 2014 220 (97.8%) [Men 143 (100%), Women 77 (93.9%)]

Fiscal 2015 230 (97.5%) [Men 142 (99.3%), Women 88 (94.6%)]

Fiscal 2016 228 (99.6%) [Men 133 (100%), Women 95 (99.0%)]

● Acquisition of Paid Leave

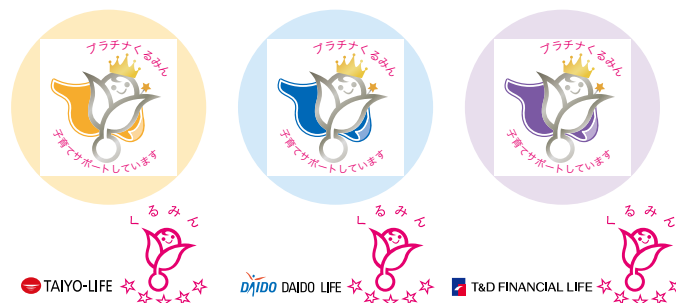
	FY2014	FY2015	FY2016
Average number of paid leave days taken	11.0	11.8	12.4

* The number of administrative personnel of the three life insurance companies taking paid leave.

● Supporting Parents Raising the Next Generation of Children

The Platinum Kurumin System was initiated on April 1, 2015. This certification is awarded by the Ministry of Labor, Health and Welfare to Kurumin-certified companies which have satisfied certain requirements by undertaking even more advanced activities.

All three of the Group's life insurance companies obtained the "Platinum Kurumin" mark in recognition of their proactive initiatives.



2 Initiatives to Support Active Roles for Women

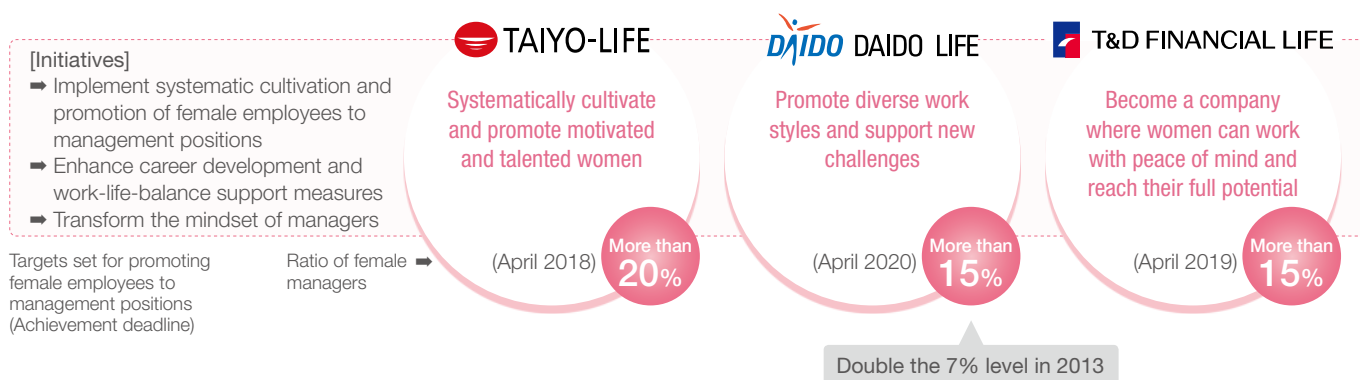
In T&D Life Group, where women account for a significant portion of the total workforce, it is a key driver for corporate value creation and sustainable growth to enable women to further demonstrate their abilities. Therefore, the Group duly recognizes that promoting the active participation of women is a crucial management priority for the Group. With this in mind, the three life insurance companies have revised their respective personnel and remuneration systems, as well as introducing various support systems to enhance work-life balance.

To steadily advance these measures to promote the active participation of women, the three life insurance companies formulated their action plans based on their respective business models.

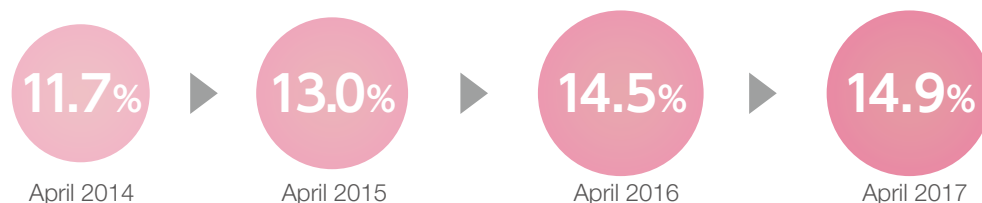
● Action Plan Promotion of the Active Participation of Women at the Three Life Insurance Companies

The T&D Life Group discloses action plan for promoting the active participation of women and targets for promoting female employees to management positions. The ratio of female managers has been steadily increasing.

[Action Plan]



[Ratio of Female Managers (Total of the Three Companies)]



3 Initiatives for Employment of People with Disabilities

As of the end of March 2017, a total of 328 employees with disabilities, including 35 new recruits for fiscal 2016, worked at the three life insurance companies, which account for 2.22% of the total number of employees. We will continue working to create a workplace environment which encourages and supports people with disabilities to work comfortably and promote employment of the disabled.

● Employment of People with Disabilities at the Three Life Insurance Companies

	FY2014	FY2015	FY2016
Employment rate of people with disabilities (%)	2.20	2.27	2.22

CSR Priority Areas

4 Health and Productivity Management Initiatives

T&D Life Group Companies are aiming for the realization of workplaces where all employees can work enthusiastically with sound mind and body under the principles of health and productivity management.

Taiyo Life and Daido Life was certified as one of the “White 500” organizations for the large enterprise category of the Ministry of Economy, Trade and Industry’s Certified Health and Productivity Management Organization Recognition Program.

The program has been set up to recognize companies which practice health and productivity management to promote employee health.

By promoting the “Taiyo’s GENKI Project” at Taiyo Life and the “DAIDO COCO KARA” program at Daido Life, the two companies are implementing various initiatives for promoting employee health, with the goal of realizing workplaces where all employees can work enthusiastically with sound mind and body.



Priority Area (3) Global Environmental Protection

The T&D Life Group has set Group-wide targets related to environmental protection with cooperation from Group companies, and is working to achieve these targets in the course of its daily business activities. The Group’s three targets are to reduce electricity consumption, reduce office paper consumption and improve the green purchasing ratio.

● Electricity Consumption

Baseline: FY2009 value (Electricity consumption per unit of floor space) (119 kWh/m²)

Target: Five-year average of FY2013 to FY2017 at least 10% below baseline value

★Indicates limited verification has been carried out by a third party.

	Baseline	FY2013	FY2014	FY2015	FY2016*2	Progress made (Average value of FY2013–FY2016)
Electricity consumption*1	72,163,000 kWh	57,873,000 kWh	56,340,000 kWh	56,573,000 kWh	58,508,000 kWh★	57,324,000 kWh
Total floor space	606,000 m ²	583,000 m ²	578,000 m ²	605,000 m ²	589,000 m ²	589,000 m ²
Per unit of floor space	119 kWh/m ²	99 kWh/m ²	97 kWh/m ²	93 kWh/m ²	99 kWh/m ²	97 kWh/m ²
Compared to baseline	—	83.3%	81.9%	78.5%	83.4%	81.8% (18.2% reduction from baseline value)

The average floor space of the fiscal year shall be used in cases where the total floor space changes during the year.

*1 Total electric power consumption excludes the portion of electric power used by tenants in Group-owned buildings.

*2 Some figures for the previous year are adjusted to reflect additional values.

● Office Paper Consumption

Baseline: Five-year average from FY2009 to FY2013 (183.6 t)

Target: Cut five-year average from FY2014 to FY2018 by 9% compared to the baseline value.

★Indicates limited verification has been carried out by a third party.

FY2013	FY2014	FY2015	FY2016★	Progress made (Average value of FY2014–FY2016)
163.2 t	160.2 t	151.8 t	123.1 t	79.0% (21.0% reduction from baseline value)

Total amount of office paper purchased.

● Green Purchasing Ratio

Target: Keep the green purchasing ratio for office stationery and supplies at a minimum of 80%.

FY2014	FY2015	FY2016
96.0%	95.9%	96.0% (Target exceeded by 16.0%)

Applies to purchases through online purchasing systems.

Contribution to Communities and Societies

T&D Life Group is working on social contribution activities as a Group engaged in the life insurance business which is highly social and public in nature. Reports on the main activities are as follows.

Improving Health and Welfare

● Blood Drive

The T&D Life Group cooperates with blood drives hosted by the Japanese Red Cross Tokyo Metropolitan Blood Center. The head office departments (Tokyo) of each company hold biannual blood drives in summer and winter, and executives and employees are encouraged to donate blood. In fiscal 2016, a cumulative total of 314 people in the Group participated in the drive.



● Friends of Taiyo Life Goodwill Circle

The Friends of Taiyo Life Goodwill Circle (“Friends”) established in December 2005 comprises executives and employees of Taiyo Life and its affiliates, which has 8,632 members as of March 31, 2017. To support social contribution activities, the members contribute every month odd amounts under 100 yen, or any amount from 100 yen to 1,000 yen, integral multiple of 100 yen, from their take-home salary.



Photograph source: JOICFP

<Main Activities in FY2016>

- Contribution to Local Communities: Support for those affected by the Kumamoto Earthquakes, collection and donation of pull tabs, aluminum cans and PET bottle caps and a wooden flute club paying visits to nursing home (assisting transportation cost).
- Educational support: Donation of school bags to children in Afghanistan through JOICFP (a public interest incorporated associations)

● Daido Life Social Contribution Club

The Daido Life Social Contribution Club established in 1992 as a voluntary organization for corporate citizenship activities, which comprises Daido Life’s executives and employees, works to promote and support fundraising activities and volunteer activities. In addition, the club has been implementing the One-day Outing Volunteer Activity for the Physically Disabled since 1994. Under this program, employees take volunteer work leave to help people with physical disabilities to take part in an outing, who rarely have the opportunity to go outside in everyday life.



<Main Activities in FY2016>

- Fundraising and donation: Proceeds from donations from executives and employees and revenues from the charity calendar exhibitions were used as funds to make contributions to organizations that support social charitable activities and facilities for the disabled, including those facilities affected by the 2011 Great East Japan Earthquake and 2016 Kumamoto Earthquakes.
- Volunteer activities: Participating as volunteers in the National Sports Festival for People with Disabilities, conducting the One-day Outing Volunteer Activity for the Physically Disabled, and participating in clean-up activities in the areas surrounding the Osaka and the Tokyo head office.

Contribution to Communities and Societies

● Support for the Japan Down Syndrome Society

Taiyo Life and Friends of Taiyo Life Goodwill Circle support the Japan Down Syndrome Society.

<Main Activities>

- The company supports activities as a co-sponsor of the society
- Provide Taiyo Life conference rooms for venues for seminars held by the society and for meetings of its Board of Trustees and Board of Directors
- Executives and employees of branches and head office departments of the company participate as volunteers in the society's activities



● Supporting Sports for People with Disabilities

Daido Life has been a special sponsor of the National Sports Festival for People with Disabilities for over 20 years since the first National Sports Games for the Mentally Handicapped (Yuaipic)* was held in 1992.

In fiscal 2016, the Kibokyo Iwate National Sports Festival of Japan, was attended by around 300 volunteers who support the event by observing ceremonies and operating booths, including executives and employees of Daido Life together with members of their alliance partners, and executives and employees of Taiyo Life.

Since January 2015, the company has been undertaking initiatives to further spread and develop sports for people with disabilities in our capacity as an official partner of the Japanese Para-Sports Association.



* The National Sports Games for the Mentally Handicapped merged with the National Sports Games for the Physically Disabled in 2001, and has been held as the National Sports Festival for People with Disabilities since then.

Developing a Sound Society

● Nationwide Clean Campaign

Since 1982, Taiyo Life has carried out clean-up activities in the vicinity of its head office as part of its social contribution to local communities. Since 2004, these activities have been expanded as the Nationwide Clean Campaign, with branches across the country undertaking clean-up activities in their own local communities.

In fiscal 2016, 5,722 employees (including family members) from the head office, affiliates and branches took part in this campaign.



● Endowed Open Courses at Universities

Daido Life has been endowing open courses at universities every year, beginning with the company's centenary celebrations in 2002. The courses set lecture themes that interweave theories and practical examples. The courses provide owners of small- to medium-sized businesses and their successors, as well as local residents, with opportunities for acquiring knowledge and skills concerning management, business and other subjects. The courses have been attended by over 13,000 people in total over the past 15 years.

In fiscal 2016, courses were held at nine universities across Japan, including Japan Women's University. Asako Hirooka (a female industrialist in Japan's Meiji and Taisho periods who was one of the founders of Daido Life) was involved in the founding of Japan Women's University.



Responsible Institutional Investor

The T&D Life Group operates the life insurance business as its core business, which is highly social and public in nature. Accordingly, we believe that it is one of our most fundamental obligations to fulfill our social responsibilities as an institutional investor and contribute to the realization of a sustainable society through our investment and lending activities.

1. Examples of Socially Responsible Investment Initiatives

Taiyo Life

- ▶▶▶ Investment and lending which can contribute to the environment, such as investment in Green Bonds
- ▶▶▶ Real estate investment which gives consideration to the environment and the aging society, including the construction of care homes for seniors utilizing owned real estate
- ▶▶▶ Investment which can contribute to the realization of a sustainable society, including investment in EYE Bonds and the fund supporting good health

Daido Life

- ▶▶▶ Investment and lending in infrastructure business, including the renewable energy field
- ▶▶▶ Investment in funds which support the growth and development of the SMEs underpinning the Japanese economy
- ▶▶▶ Investment in social bonds
- ▶▶▶ Contribution to the global environment and local communities through company-owned buildings

T&D Asset Management

- ▶▶▶ Evaluation of investees incorporating ESG research information

Group collaboration

- ▶▶▶ Investment in T&D Japan Equities ESG Research Fund
- ▶▶▶ Investment in the Japan Growth Strategy Fund

2. The Principles for Responsible Institutional Investors

Three of the Group's companies, Taiyo Life, Daido Life and T&D Asset Management, endorsed and expressed their commitment to the Principles for Responsible Institutional Investors (the Japanese version of the Stewardship Code) in May 2014.

Details of each company's basic policies with respect to the Principles for Responsible Institutional Investors, policy on exercising voting rights and status of exercising voting rights by company, by agenda, etc. are disclosed on the companies' respective websites (Japanese).

Taiyo Life	https://www.taiyo-seimei.co.jp/company/activity/ssc.html https://www.taiyo-seimei.co.jp/company/activity/exercise.html
Daido Life	https://www.daido-life.co.jp/company/info/ssc.html https://www.daido-life.co.jp/company/info/voting.html
T&D Asset Management	http://www.tdasset.co.jp/company/principles/stewardship/ http://www.tdasset.co.jp/company/principles/voting/

* T&D Financial Life does not operate with listed stocks, and does not plan to do so in the future. Therefore, there are no plans to announce support for the Stewardship Code.

Participation in Initiatives

In order to actively play its part in the maintenance and development of a sustainable world through its businesses, the T&D Life Group supports and publicly endorses a variety of initiatives.

● UN Global Compact

The T&D Life Group has signed up to the United Nations (UN) Global Compact (UNGC), a cooperative framework between the UN and corporations to realize sustainable growth advocated by the UN.

The UNGC proposes ten principles applying to the four areas, which are “the protection of human rights,” “the elimination of unfair labor practices,” “the protection of the environment,” and “the prevention of corruption,” and encourages companies to act in a responsible manner. The T&D Life Group endorses the UNGC’s philosophy, and T&D Holdings, representing the Group, has signed a memorandum declaring its support for the ten principles.



● Principles for Responsible Investment (PRI)

In the T&D Life Group, Taiyo Life, Daido Life and T&D Asset Management have endorsed and signed the Principles for Responsible Investment (PRI)*1. PRI are guidelines that encourage global financial institutions and institutional investors to promote investment activities in consideration of Environmental, Social and Governance (ESG) issues.

Signatory of:



*1 The UN Principles for Responsible Investment (PRI) were formulated by the UNEP Finance Initiative and the UN Global Compact as a set of principles that would facilitate the reflection of the ESG viewpoint in the decision-making processes of financial investors.

● Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)

T&D Holdings and its five direct subsidiaries have endorsed and signed the Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century)*2, which are the voluntary initiative organized by Japanese financial institutions.



*2 The Principles for Financial Action for the 21st Century were formulated as guidelines for financial institutions which wish to fulfill their social responsibilities and play a role in the formation of a sustainable society. The principles were formulated by the Ministry of the Environment’s Drafting Committee for Environmental Finance Principles, which consists of financial institutions from wide-ranging areas within the sector.



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Selected Financial Data

T&D HOLDINGS

Years ended March 31	2013	2014	2015	2016	2017
¥ millions					
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥1,940,900	¥1,609,732	¥1,958,055	¥1,574,506	¥1,505,234
Investment income	402,985	397,818	384,223	379,707	402,709
Other ordinary income	75,043	78,146	69,847	71,665	67,838
Total ordinary revenues	2,418,959	2,085,734	2,412,165	2,025,925	1,975,784
Ordinary expenses:					
Insurance claims and other payments	1,343,556	1,520,988	1,401,534	1,302,899	1,160,357
Provision for policy and other reserves	516,959	22,597	485,139	194,387	259,134
Investment expenses	118,387	86,680	66,427	77,477	130,277
Operating expenses	203,781	197,655	199,435	198,999	197,600
Other ordinary expenses	84,584	71,588	70,686	80,727	71,186
Total ordinary expenses	2,267,269	1,899,510	2,223,222	1,854,490	1,818,556
Ordinary profit	151,689	186,224	188,943	171,434	157,227
Net extraordinary gains (losses)	(27,483)	(30,736)	(8,105)	(29,274)	(35,067)
Provision for reserve for policyholder dividends	31,197	31,638	32,555	31,920	25,374
Income before income taxes	93,008	123,849	148,281	110,239	96,786
Income taxes:					
Current	27,436	48,113	44,147	46,075	33,316
Deferred	1,644	(3,402)	9,755	(8,561)	(11,895)
Total income taxes	29,081	44,711	53,903	37,513	21,421
Profit attributable to non-controlling interests	193	155	163	179	177
Profit attributable to owners of parent	¥ 63,733	¥ 78,982	¥ 94,215	¥ 72,547	¥ 75,187

As of March 31	2013	2014	2015	2016	2017
¥ millions					
Balance Sheet Data:					
Assets:					
Total assets	¥13,668,719	¥13,804,219	¥14,664,705	¥14,674,207	¥14,891,167
Liabilities:					
Policy reserves	12,209,259	12,226,787	12,707,957	12,892,482	13,139,218
Total liabilities	12,748,972	12,783,895	13,319,755	13,460,145	13,794,395
Net assets:					
Total stockholders' equity	617,210	683,519	749,436	775,208	794,554
Total accumulated other comprehensive income	299,970	333,929	592,301	435,331	298,302
Total net assets	¥ 919,746	¥ 1,020,324	¥ 1,344,950	¥ 1,214,061	¥ 1,096,772

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

Years ended March 31	2013	2014	2015	2016	2017
¥ millions					
Policy Results: *					
Policy amount in force	¥59,996,511	¥60,699,818	¥62,117,777	¥62,998,174	¥64,612,813
New policy amount	7,158,927	6,639,823	7,227,221	6,685,973	7,441,437
Surrender and lapse amount	4,071,327	3,967,421	3,752,457	3,789,522	3,837,734
* The total of individual insurance, individual annuities and Daido Life's "J-type product," "T-type product" and "Kaigo Relief." The new policy amount includes increase from conversions.					
Other Data:					
Core profit	¥ 182,498	¥ 210,256	¥ 182,766	¥ 153,097	¥ 159,985
Embedded value *	1,664,400	1,970,100	2,298,000	1,893,700	2,290,500
Consolidated solvency margin ratio	943.8%	1,115.0%	1,220.7%	1,155.8%	1,105.1%

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

TAIYO LIFE

¥ millions

Years ended March 31	2013	2014	2015	2016	2017
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥1,018,383	¥655,233	¥ 865,232	¥657,185	¥654,379
Investment income	187,629	175,794	176,370	202,909	228,058
Other ordinary income	23,585	26,244	19,544	13,792	15,517
Total ordinary revenues	1,229,598	857,272	1,061,146	873,887	897,955
Ordinary expenses:					
Insurance claims and other payments	654,858	585,429	566,446	604,261	535,387
Provision for policy and other reserves	319,781	52,437	281,973	39,860	99,991
Investment expenses	47,926	29,303	31,893	36,540	83,109
Operating expenses	85,578	77,693	77,606	76,424	77,189
Other ordinary expenses	52,652	40,151	35,619	37,676	35,635
Total ordinary expenses	1,160,797	785,015	993,539	794,763	831,312
Ordinary profit	68,801	72,257	67,606	79,124	66,642
Net extraordinary gains (losses)	(14,789)	(12,931)	(5,249)	(20,251)	(18,995)
Provision for reserve for policyholder dividends	16,995	17,688	18,093	18,135	11,738
Income before income taxes *	37,017	41,637	44,264	40,736	35,909
Income taxes:					
Current	10,342	17,045	12,827	17,624	11,120
Deferred	1,073	(1,763)	3,482	(3,722)	(4,178)
Total income taxes	11,416	15,282	16,309	13,902	6,941
Net income	¥ 25,601	¥ 26,355	¥ 27,954	¥ 26,834	¥ 28,967

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

As of March 31	2013	2014	2015	2016	2017
Balance Sheet Data:					
Assets:					
Total assets	¥6,645,339	¥6,760,825	¥7,217,901	¥7,084,800	¥7,188,371
Liabilities:					
Policy reserves	5,951,016	5,998,989	6,279,589	6,318,824	6,410,781
Total liabilities	6,260,697	6,360,611	6,658,543	6,603,082	6,807,381
Net assets:					
Total stockholders' equity	222,597	245,046	259,537	279,336	279,765
Total valuation and translation adjustment	162,043	155,166	299,819	202,382	101,224
Total net assets	¥ 384,641	¥ 400,213	¥ 559,357	¥ 481,718	¥ 380,989

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

Years ended March 31	2013	2014	2015	2016	2017
Policy Results: *					
Policy amount in force	¥21,023,223	¥21,595,680	¥22,154,564	¥21,983,504	¥21,741,191
New policy amount	2,974,307	2,696,671	2,840,754	2,134,199	2,084,818
Surrender and lapse amount	1,236,211	1,255,419	1,270,225	1,255,956	1,255,824
Surrender and lapse rate	6.11%	5.97%	5.88%	5.67%	5.71%

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

Other Data:

Core profit	¥ 67,218	¥ 72,611	¥ 68,188	¥ 53,812	¥ 53,464
Embedded value (EV) *	637,000	705,100	868,600	725,700	777,500
Solvency margin ratio	823.4%	981.3%	993.9%	890.6%	848.6%
Number of in-house sales representatives	8,856	8,603	8,432	8,631	8,902

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

DAIDO LIFE

Years ended March 31	2013	2014	2015	2016	¥ millions 2017
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥724,517	¥712,866	¥792,715	¥748,914	¥766,336
Investment income	142,588	160,483	169,016	165,153	154,066
Other ordinary income	16,901	19,968	19,320	21,671	24,029
Total ordinary revenues	884,006	893,318	981,052	935,739	944,431
Ordinary expenses:					
Insurance claims and other payments	569,293	522,489	494,272	502,896	484,881
Provision for policy and other reserves	76,097	119,712	231,264	181,357	204,770
Investment expenses	54,799	46,369	39,128	34,443	48,244
Operating expenses	99,036	99,377	99,152	102,531	103,099
Other ordinary expenses	17,158	14,058	19,770	24,203	20,739
Total ordinary expenses	816,385	802,008	883,588	845,431	861,736
Ordinary profit	67,621	91,309	97,464	90,307	82,695
Net extraordinary gains (losses)	(11,163)	(17,410)	(2,653)	4,413	(12,450)
Provision for reserve for policyholder dividends	14,202	13,951	14,462	13,788	13,636
Income before income taxes	42,255	59,948	80,348	80,932	56,608
Income taxes:					
Current	12,798	26,644	28,104	29,351	20,777
Deferred	570	(2,656)	1,064	(2,896)	(7,286)
Total income taxes	13,369	23,987	29,168	26,455	13,491
Net income	¥ 28,886	¥ 35,960	¥ 51,180	¥ 54,476	¥ 43,116

As of March 31	2013	2014	2015	2016	¥ millions 2017
Balance Sheet Data:					
Assets:					
Total assets	¥5,399,189	¥5,572,800	¥5,977,975	¥6,152,026	¥6,298,188
Liabilities:					
Policy reserves	4,783,783	4,896,850	5,125,125	5,301,162	5,501,639
Total liabilities	4,936,237	5,041,936	5,297,596	5,488,203	5,654,175
Net assets:					
Total stockholders' equity	325,329	352,559	388,865	433,499	448,016
Total valuation and translation adjustment	137,622	178,304	291,513	230,323	195,996
Total net assets	¥ 462,951	¥ 530,863	¥ 680,379	¥ 663,823	¥ 644,013

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

Years ended March 31	2013	2014	2015	2016	¥ millions 2017
Policy Results:					
Policy amount in force *	¥36,933,235	¥37,255,621	¥38,156,747	¥39,205,952	¥40,992,241
Individual term life insurance	32,900,930	32,882,207	33,209,130	33,673,604	34,772,475
<i>J-type product, T-type product and Kaigo Relief</i>	775,298	1,192,991	1,764,379	2,415,881	3,166,600
New policy amount *	3,992,546	3,698,182	4,063,816	4,315,542	5,121,169
Individual term life insurance	3,374,850	3,108,689	3,228,184	3,426,632	4,088,485
<i>J-type product, T-type product and Kaigo Relief</i>	436,498	472,806	657,003	786,609	934,940
Surrender and lapse amount *	2,738,436	2,537,348	2,378,329	2,472,006	2,525,540
Surrender and lapse rate	7.49%	6.87%	6.38%	6.48%	6.44%

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

Years ended March 31	2013	2014	2015	2016	¥ millions 2017
Other Data:					
Core profit	¥ 84,635	¥ 110,673	¥ 107,654	¥ 104,829	¥ 105,677
Embedded value (EV) *	923,500	1,145,900	1,306,700	1,078,000	1,417,400
Solvency margin ratio	1,043.2%	1,156.4%	1,363.7%	1,341.9%	1,252.6%
Number of in-house sales representatives	3,943	3,833	3,790	3,867	3,843
Number of agents	13,459	13,432	13,675	13,793	13,878

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

T&D FINANCIAL LIFE

	¥ millions				
Years ended March 31	2013	2014	2015	2016	2017
Statement of Operation Data:					
Ordinary revenues:					
Income from insurance premiums	¥196,740	¥239,777	¥297,755	¥165,436	¥ 80,918
Investment income	78,986	64,948	46,366	14,232	23,041
Other ordinary income	12,928	163,943	37,989	38,365	51,874
Total ordinary revenues	288,656	468,669	382,110	218,035	155,834
Ordinary expenses:					
Insurance claims and other payments	118,854	412,275	339,700	194,324	138,311
Provision for policy and other reserves	120,876	7,697	1,440	2	0
Investment expenses	20,522	13,138	1,814	7,950	213
Operating expenses	13,140	13,101	14,422	12,705	9,745
Other ordinary expenses	1,479	1,545	2,275	1,840	1,363
Total ordinary expenses	274,873	447,758	359,653	216,822	149,634
Ordinary profit	13,783	20,910	22,457	1,212	6,199
Net extraordinary gains (losses)	(1,441)	(398)	(174)	(621)	(3,612)
Reversal of reserve for policyholder dividends	(0)	(2)	(0)	(3)	(1)
Income before income taxes	12,342	20,514	22,282	593	2,587
Income taxes:					
Current	3,643	3,647	2,411	(1,735)	874
Deferred	(154)	957	5,225	1,837	(427)
Total income taxes	3,489	4,604	7,636	101	446
Net income	¥ 8,852	¥ 15,909	¥ 14,645	¥ 492	¥ 2,141

	¥ millions				
As of March 31	2013	2014	2015	2016	2017
Balance Sheet Data:					
Assets:					
Total assets	¥1,541,553	¥1,393,592	¥1,387,624	¥1,359,879	¥1,313,747
Liabilities:					
Policy reserves	1,473,800	1,329,961	1,301,958	1,270,904	1,224,914
Total liabilities	1,504,475	1,340,493	1,319,425	1,289,619	1,242,846
Net assets:					
Total stockholders' equity	36,798	52,748	67,394	67,886	70,027
Total valuation and translation adjustment	279	349	804	2,373	874
Total net assets	¥ 37,077	¥ 53,098	¥ 68,198	¥ 70,260	¥ 70,901

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

	¥ millions				
Years ended March 31	2013	2014	2015	2016	2017
Policy Results: *					
Policy amount in force	¥2,040,052	¥1,848,515	¥1,806,465	¥1,808,717	¥1,879,380
Products through independent insurance agents	1,139,480	1,050,025	1,091,312	1,156,568	1,280,606
New policy amount	192,072	244,969	322,651	236,231	235,449
Surrender and lapse amount	96,679	174,654	103,902	61,559	56,368
Surrender and lapse rate	4.86%	8.56%	5.62%	3.41%	3.12%
* The total of individual insurance and individual annuities.					
Other Data:					
Core profit (loss)	¥30,644	¥26,971	¥ 6,923	¥ (5,545)	¥ 843
Embedded value (EV) *	77,500	92,300	95,800	93,400	97,400
Solvency margin ratio	648.4%	1,051.2%	1,271.9%	1,260.7%	1,295.6%

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

Management's Discussion and Analysis

Operating Results

1. RESULTS OF OPERATIONS

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

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

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

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

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

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

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

Comprehensive income was negative ¥69.5 billion (a decrease of ¥84.4 billion) which was a total of profit of ¥75.3 billion (up 3.6%) and total other comprehensive income of negative ¥144.9 billion (negative ¥157.2 billion in the previous fiscal year).

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

(1) Ordinary Revenues

a) Income from Insurance Premiums

Income from insurance premiums totaled ¥1,505.2 billion (down 4.4% year on year), consisting of ¥1,322.7 billion in premiums for individual insurance and individual annuities (down 2.0%), ¥58.0 billion for group insurance (down 1.7%), and ¥114.6 billion for group annuities (down 27.8%), and others.

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

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

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

b) Investment Income

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

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

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

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

Investment Income

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

(2) Ordinary Expenses

a) Insurance Claims and Other Payments

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

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

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

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

b) Investment Expenses

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

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

At Daido Life, investment expenses were ¥48.2 billion, an increase of ¥13.8 billion (up 40.1%) from the previous fiscal year. This was

mainly due to an increase of ¥12.5 billion in losses from derivatives, net.

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

(3) Ordinary Profit

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

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

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

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

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

(4) Extraordinary Gains/Losses

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

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

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

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

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

Investment Expenses

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

(5) Profit Attributable to Owners of Parent

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

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

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

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

(Reference)

Premiums

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

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

Insurance Claims and Other Payments

Insurance Claims

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

Annuity Payments

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

Insurance Benefits

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

Surrender Payments

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

Other Payments

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

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

2. ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION

Total assets as of March 31, 2017, were ¥14,891.1 billion (up 1.5% from the previous fiscal year-end).

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

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

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

3. ANALYSIS OF CONSOLIDATED CASH FLOWS

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

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

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

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

4. ANALYSIS OF SALES RESULTS (NON-CONSOLIDATED)

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

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

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

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

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

(1) Taiyo Life

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

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

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

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

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

(2) Daido Life

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

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

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

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

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

(3) T&D Financial Life

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

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

As a result, as of March 31, 2017, total policy amount in force of individual insurance and individual annuities was ¥1,879.3 billion, an

increase of ¥70.6 billion (up 3.9%) from ¥1,808.7 billion at the previous fiscal year-end.

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

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

Policy Amount in Force

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

Notes:

- Figures for individual annuities and group insurance (annuity riders) represent the total of annuity resources at the start of annuities for policies prior to the start of annuity payments and policy reserves for policies after the start of annuity payments. However, figures for individual variable annuities represent the total of policy reserves (excluding a portion of minimum guarantee) and policy reserves for policies after the start of annuity payments.
- Amounts for group annuities are policy reserve amounts.
- "Others" is the total of workers' asset-formation savings insurance, workers' asset-formation annuities, medical life insurance, disability income insurance, and reinsurance assumed. Looking at the recording basis of each component, amounts for workers' asset-formation savings insurance and workers' asset-formation annuities represent amounts for policy reserves (amounts for workers' asset-formation annuities (excluding workers' asset-formation funding annuities) are annuity resources at the start of annuities for policies prior to the start of annuity payments), amounts for medical life insurance show daily amounts of hospitalization benefits, and amounts for disability income insurance show monthly amounts of disability income insurance benefits.

New Policy Amount

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

Notes:

- Individual insurance and individual annuities include net increase from conversions.
- Amounts for individual annuities are annuity resources at the start of annuities.
- Amounts for group annuities represent the first insurance premiums.
- "Other" is the total of workers' asset-formation savings insurance, workers' asset-formation annuities, medical life insurance, disability income insurance, and reinsurance assumed. Looking at the recording basis of each component, amounts for workers' asset-formation savings insurance and workers' asset-formation annuities represent the first insurance premiums (amounts for workers' asset-formation annuities (excluding workers' asset-formation funding annuities) are annuity resources at the start of annuities for policies prior to the start of annuity payments), amounts for medical life insurance show daily amounts of hospitalization benefits, and amounts for disability income insurance show monthly amounts of disability income insurance benefits.

5. MARKET CONSISTENT EMBEDDED VALUE (MCEV)

(1) Outline of MCEV

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

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

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

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(2) MCEV and Group MCEV

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

to the contribution of new business, the improvement of non-economic assumptions, and higher domestic interest rates while the adjusted net worth decreased due to the resulting decrease in the market value of domestic and foreign bonds.

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

MCEV and Group MCEV

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

Notes:

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

Breakdown of Covered Business MCEV

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

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

(3) MCEV by Company

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

(4) Third Party Opinion

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

6. OTHER IMPORTANT MATTERS

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

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

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

(1) Taiyo Life

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

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

(2) Daido Life

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

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

(3) T&D Financial Life

In fiscal 2016, core profit was ¥0.8 billion (negative ¥5.5 in the previous fiscal year) and negative spread was ¥2.9 billion (down 7.5%).

Further, provision for policy reserve related to market exchange rate fluctuation of ¥2.3 billion was deducted from core profit for the fiscal year 2016. If core profit for the fiscal year 2015 were calculated on a fiscal 2016 basis, the amount would have been negative ¥10.7 billion.

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

Core Profit

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

Positive Spread

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

Notes:

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

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

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

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

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

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

Adjusted Net Assets

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

Solvency Margin Ratio

Years ended March 31	¥ millions								
	Consolidated ¹		Taiyo Life ²		Daido Life ²		T&D Financial Life ²		
	2016	2017	2016	2017	2016	2017	2016	2017	
Total solvency margin	(A)	¥2,102,712	¥1,999,244	¥848,814	¥735,786	¥1,122,632	¥1,123,822	¥94,448	¥91,209
Capital stock, etc. ³		759,218	787,352	261,221	260,182	408,408	421,568	67,886	70,027
Reserve for price fluctuations		175,759	204,894	95,199	113,221	79,655	90,465	903	1,207
Contingency reserve		152,903	152,181	68,517	67,937	65,809	68,845	18,576	15,398
Catastrophe loss reserve		—	—	—	—	—	—	—	—
General reserve for possible loan losses		1,482	1,288	1,210	1,100	65	57	0	0
Valuation difference on available-for-sale securities (before tax) and deferred gains (losses) on hedging instruments (before tax) (x 90 percent, if gains; x 100 percent, if losses)		590,290	408,941	304,878	168,551	282,137	239,044	2,966	1,092
Net unrealized gains (losses) on land (x 85 per cent., if gains; x 100 per cent., if losses)		16,802	36,974	(22,309)	(7,591)	24,520	32,176	—	—
The total amount of unrecognized actuarial gains and losses and unrecognized past service costs (prior to tax effect deduction)		—	—	—	—	—	—	—	—
Excess amount of policy reserve based on Zillmer method		196,715	203,107	27,574	25,745	165,026	171,996	4,114	5,365
Unallotted portion of reserve for policyholder dividends		16,891	11,250	9,546	4,068	7,344	7,182	—	—
Deferred tax assets		142,638	145,057	52,974	52,570	89,663	92,486	—	—
Subordinated debt		50,000	50,000	50,000	50,000	—	—	—	—
The amount of non-margin portions in excess amount of policy reserve based on Zillmer method and subordinated debts		—	—	—	—	—	—	—	—
Margin of small-amount short-term insurance company ⁴		305	412	—	—	—	—	—	—
Deductible items		(294)	(2,215)	—	—	—	—	—	(1,883)
Total risk	(B)	363,834	361,801	190,614	173,403	167,308	179,434	14,983	14,079
Insurance risk	R ₁	46,671	46,349	25,939	25,043	24,074	24,458	741	752
General insurance risk	R ₅	—	—	—	—	—	—	—	—
Catastrophe risk	R ₆	—	—	—	—	—	—	—	—
Third sector insurance risk	R ₈	14,363	15,371	9,717	10,238	4,488	4,969	157	163
Insurance risk of small-amount short-term insurance company	R ₉	492	604	—	—	—	—	—	—
Assumed investment yield risk	R ₂	67,926	64,437	41,219	38,872	24,344	23,107	2,362	2,458
Minimum guarantee risk ⁵	R ₇	3,084	1,645	17	17	755	629	2,312	997
Investment risk	R ₃	279,224	281,974	141,563	126,779	135,903	149,164	9,818	10,156
Business risk	R ₄	8,235	8,207	4,369	4,019	3,791	4,046	461	435
Solvency margin ratio									
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,155.8%	1,105.1%	890.6%	848.6%	1,341.9%	1,252.6%	1,260.7%	1,295.6%

Notes:

- The above ratios are calculated in accordance with the Articles 210.11.3 and 210.11.4 of the Ordinance for Enforcement of the Insurance Business Act as well as the Notification No. 23 issued by the Financial Services Agency in 2011.
- The above ratios are calculated in accordance with the Articles 86, 87 of the Ordinance for Enforcement of the Insurance Business Act as well as Announcement No. 50 issued by the Ministry of Finance in 1996.
- "Capital stock, etc." represents net assets on the balance sheet less total accumulated other comprehensive income and estimated appropriation paid in cash.
- "Margin of small-amount short-term insurance company" represents catastrophe loss reserve of small-amount short-term insurance company.
- "Minimum guarantee risk R₇" is calculated using the standardized method regulated by the FSA.

Business Risks and Other Risks

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

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

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

1. RISKS AS A HOLDING COMPANY

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

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

(2) Risk Related to Dividend Income

As the holding company, T&D Holdings, Inc. derives the majority of its income from dividends paid by its three life insurance companies.

Under certain circumstances, the amount of dividends which can be paid by the three life insurance companies may be limited by the Insurance Business Act and/or the Japanese Companies Act. Also, if any of the three life insurance companies fails to record sufficient profits, they may not be in a position to pay dividends to the Company, and the Company may be unable to pay dividends.

(3) Risk Related to Expanding Scope of Operations

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

(4) Risk Related to Regulatory Changes

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

2. RISK RELATED TO BUSINESS

(1) Type of Risk Related to Directly Owned Subsidiaries

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

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

(2) Risks Related to the Life Insurance Business

1) Life Insurance Business

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

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

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

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

a. Licenses

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

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

b. Restrictions on Business Scope

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

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

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

c. Regulation and Oversight under the Insurance Business Act

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

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

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

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

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

d. Solvency Margin Ratio

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

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

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

(For details on the solvency margin ratio, please refer to "6. Other Important Matters" on pages 81–82)

e. Adjusted Net Assets

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

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

(2) Asset Management Regulations for Life Insurance Companies

a. Characteristics of Life Insurance Companies’ Liabilities and Capital

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

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

b. Regulations for Management of Life Insurance Funds

Changes in the following regulations for the management of life insurance funds or changes in the regulatory agency’s interpretations/applications of such regulations could adversely affect the business results or financial position of the Group.

i) The necessity and characteristics of investment regulations

Regulating insurance companies’ investment of life insurance funds in order to ensure the ability of insurance companies to pay insurance claims and protect the interests of policyholders are deemed necessary.

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

ii) Asset management of the separate account

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

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

(3) Income and Expenditure Structure of the Life Insurance Business

a. Characteristics of Life Insurance Accounting

Life insurance companies’ income mainly comprises premiums, income from interest and dividends, and gains on sales of securities. On the other hand, their expenditure mainly comprises the payment of insurance claims, annuities, and insurance benefits as well as investment expenses such as losses on sales of securities, and operating expenses that include expenses for policy maintenance and solicitation.

i) Structure of the premium

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

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

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

ii) Policy reserve

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

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

iii) The structure of policyholder dividends

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

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

b. Profits and Losses of Life Insurance Companies

Generally, companies classify their statement of operation into operating profit or loss and non-operating profit or loss. However, life insurance companies classify their statement of operation into insurance-related profit or loss (income from insurance premiums, insurance claims, and

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

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

c. Breakdown of Ordinary Profit (Core Profit)

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

reference only. Core profit is not an item in the statement of operation. Deteriorations in core profit, capital gains or losses, and one-time gains or losses due to fluctuations in the financial market could adversely affect the business results or financial position of the Group.

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

d. Negative Spread

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

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

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

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

bankruptcy procedures to date in accordance with standards specified in the LIPPCJ’s Articles of Incorporation, which is recorded as operating expense in the contributed fiscal year.

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

(5) Deferred Tax Assets

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

2) Competition

(1) Life Insurance Companies

a. Competing Life Insurance Companies

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

b. Trends in the Life Insurance Industry

New policy amount and policy amount in force could decline in the future due to an aging society with low birthrates, a shrinking workforce or other factors. Under these conditions, the new entry of insurance companies with new channels, various forms of industry

consolidation and strategic alliances have occurred which may lead to the further development of industry consolidation in the domestic market going forward. In addition, as seen from the full deregulation of OTC sales at banks, the life insurance industry is expected to see further liberalization and deregulation going forward. As a result, there is expected to be further escalation in competition on life insurance product prices and services, which could adversely affect the Group's earnings and financial condition.

(2) Competitive Relationships in Life Insurance Businesses

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

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

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

(3) The Group's Business Policy

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

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

a. Taiyo Life

i) Market

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

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

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

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

ii) Sales system

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

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

iii) Increase in sales of comprehensive life insurance

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

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

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

b. Daido Life

i) Market

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

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

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

ii) Sales of partner-specific products

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

iii) Sales system

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

• In-house sales representative channel

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

• Agent channel

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

iv) Products

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

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

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

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

c. T&D Financial Life

i) Market

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

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

ii) Sales system

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

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

iii) Products

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

3) Investment Risk

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

(2) Overview of Market Risk

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

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

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

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

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

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

(3) Overview of Credit Risk

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

(4) Overview of Real Estate Investment Risk

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

4) Ratings

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

(3) Risk Related to Other Businesses

1) Asset Management Business Risk

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

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

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

(4) Other Risks

1) System Risk

Based on an awareness that the information and information systems of directly owned subsidiaries are important assets for the execution of business management strategies and business operations, the board of directors of the subsidiaries has established regulations for the

management of system risk and is strengthening management of this risk. These initiatives seek to protect systems from various risks, including the risk of loss arising from computer system downtime, malfunctions, or other system flaws and the risk of loss arising from the improper use of computers.

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

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

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

2) Compliance

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

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

3) Handling of Personal Information

Based on policies and regulations for the protection of personal information, directly owned subsidiaries handle the acquisition, usage/ providing, storing/transferring, and disposing personal information with utmost care.

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

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

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

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

4) Catastrophe Risk

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

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

Capital Expenditures

1. OVERVIEW OF CAPITAL EXPENDITURES

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

2. STATUS OF MAJOR FACILITIES

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

(1) T&D Holdings, Inc.

Not applicable.

(2) Consolidated Subsidiaries in Japan

1) Taiyo Life Insurance Company

As of March 31, 2017

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

Notes:

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

2) Daido Life Insurance Company

As of March 31, 2017

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

Notes:

- Figures enclosed in square brackets in the "Land" column indicate leased land area. Rent related to real estate was ¥25 million for land and ¥2,229 million for buildings.
- The carrying amounts of lease assets used at each business site are all recorded in Tokyo Headquarters.
- "Others" comprises ¥1,237 million of movables and ¥959 million of construction in progress.

The main movables included in "Others" consist of ¥746 million in paintings, sculptures and other works of art. Movables are all recorded in Osaka Headquarters, as the carrying amount of movables used at business sites other than Osaka Headquarters is minimal.

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

3) T&D Financial Life Insurance Company

As of March 31, 2017

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

Notes:

- "Others" represents other tangible fixed assets which mainly consists of furniture and fixtures. Furniture and fixtures are all recorded under Headquarters, as the carrying amount of furniture and fixtures used at regional sales departments is minimal.
- Rent related to real estate was ¥220 million for buildings. Among rent for buildings, the rent related to Headquarters was ¥193 million.
- The number of employees consists entirely of office workers.

3. PLANS FOR NEW FACILITY ACQUISITION AND DISPOSAL

Plans for important new facility acquisition and disposal as of March 31, 2017 were as follows:

(1) New Facility Acquisition

As of March 31, 2017

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

Notes:

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

Other Data

1. STATUS OF STOCKHOLDINGS

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

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

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

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

Specified Investment Shares

Year ended March 31, 2016

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

Regarded as Holding Shares

Not applicable.

Specified Investment Shares

Year ended March 31, 2017

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

Regarded as Holding Shares

Not applicable.

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

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

(4) Change in investment purpose during fiscal 2016

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

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

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

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

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

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

Specified Investment Shares

Year ended March 31, 2016

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

Regarded as Holding Shares

Not applicable.

Specified Investment Shares

Year ended March 31, 2017

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

Regarded as Holding Shares

Not applicable.

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

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

(3) T&D Holdings, Inc.

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

Not applicable.

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

Not applicable.

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

Not applicable.

2. BONDS ISSUED

Company	Type of instrument	Issuance date	Balance as of April 1, 2016 ¥ millions	Balance as of March 31, 2017 ¥ millions	Interest rate %	Security	Maturity date
T&D Holdings, Inc.	Zero Coupon Convertible Bonds due 2020	June 5, 2015	¥30,125	¥30,095	—	None	June 5, 2020
Taiyo Life Insurance Company	Fourth series unsecured bonds with early redemption clause (subordinated, limited to qualified institutional investors and split-restricted small-number private placement)	September 27, 2013	20,000	20,000	0.99	None	September 27, 2023
T&D Lease Co., Ltd.	Short-term debenture	February 23, 2016 to March 22, 2017	2,999	2,999 (2,999)	0.00–0.02	None	May 24, 2016 to June 22, 2017
Total	—	—	53,124	53,094 (2,999)	—	—	—

Notes:

1. Description of the convertible bonds is as follows:

Type of instrument	Zero Coupon Convertible Bonds due 2020
To be issued stock	Common stock
Issue price of the stock acquisition right (yen)	No compensation
Issue price of the stock (yen)	2,701.5
Total amount of the issue (million yen)	30,000
Total amount of the stock issued by the exercise of the stock acquisition right (million yen)	—
Grant rate of the stock acquisition right (%)	100
Exercise period of the stock acquisition right	From June 19, 2015 to May 22, 2020

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

2. The interest rate shown for the fourth series unsecured bonds is the annual interest rate from the following day of September 27, 2013 to September 27, 2018.

The interest rate from the following day of September 27, 2018 onward is the offered rate of LIBOR six-month yen deposit plus 2.02%.

3. Figures enclosed in brackets in the "Balance as of March 31, 2017" column are amounts of short-term debentures due within one year.

4. Scheduled redemptions due within five years subsequent to the consolidated closing date are as follows:

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

3. BORROWINGS

Classification	Balance as of April 1, 2016 ¥ millions	Balance as of March 31, 2017 ¥ millions	Interest rate %	Maturity date
Short-term borrowings	¥ —	¥ —	—	—
Long-term borrowings due for repayment within one year	11,252	11,838	0.53	—
Lease obligations due for repayment within one year	564	542	0.87	—
Long-term borrowings (excluding the amount due for repayment within one year)	53,800	52,765	0.79	From April 2018 to April 2027
Lease obligations (excluding the amount due for repayment within one year)	1,371	1,264	0.53	From April 2018 to January 2023
Other interest-bearing liabilities	—	—	—	—
Total	66,989	66,410	—	—

Notes:

1. The average interest rates shown are the weighted-average interest rates of the balance of borrowings as of March 31, 2017.

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

Classification	Over 1 year and within 2 years ¥ millions	Over 2 years and within 3 years ¥ millions	Over 3 years and within 4 years ¥ millions	Over 4 years and within 5 years ¥ millions
Long-term borrowings	¥9,469	¥7,227	¥4,132	¥1,540
Lease obligation	431	376	293	118

Consolidated Financial Statements

Consolidated Balance Sheet

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Assets:			
Cash and deposits	¥ 1,024,692	¥ 862,425	\$ 7,687,189
Call loans	2,673	11,302	100,739
Monetary claims purchased	269,668	141,242	1,258,959
Monetary trusts	525,902	583,476	5,200,791
Securities (Notes 8, 13 and 14)	10,492,605	11,001,953	98,065,364
Loans (Notes 3 and 7)	1,767,891	1,685,118	15,020,218
Tangible fixed assets (Note 4)	315,475	319,884	2,851,270
Land (Note 2 (12))	175,322	177,864	1,585,387
Buildings	120,846	122,157	1,088,843
Lease assets	932	714	6,365
Construction in progress	15,124	15,237	135,815
Other tangible fixed assets	3,248	3,910	34,858
Intangible fixed assets	24,027	23,195	206,752
Software	22,472	21,640	192,888
Lease assets	377	383	3,414
Other intangible fixed assets	1,177	1,172	10,449
Due from agencies	746	756	6,744
Due from reinsurers	691	3,535	31,514
Other assets (Note 14)	251,286	210,889	1,879,749
Deferred tax assets	602	49,143	438,036
Reserve for possible loan losses	(2,057)	(1,755)	(15,645)
Total assets	¥14,674,207	¥14,891,167	\$132,731,684

As of March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Liabilities:			
Policy reserves	¥12,892,482	¥13,139,218	\$117,115,776
Reserve for outstanding claims	67,914	70,065	624,527
Policy reserve	12,719,256	12,976,211	115,662,813
Reserve for policyholder dividends (Note 6)	105,311	92,942	828,434
Due to agencies	630	334	2,978
Due to reinsurers	641	1,781	15,882
Short-term debentures	2,999	2,999	26,740
Bonds (Note 9)	50,125	50,095	446,519
Other liabilities (Notes 10 and 14)	252,087	332,772	2,966,146
Provision for bonuses to directors and audit & supervisory board members	281	263	2,345
Net defined benefit liability	59,730	56,547	504,035
Provision for directors' and audit & supervisory board members' retirement benefits	78	53	480
Reserves under the special laws	175,759	204,894	1,826,316
Reserve for price fluctuations	175,759	204,894	1,826,316
Deferred tax liabilities	19,894	7	68
Deferred tax liabilities on land revaluation (Note 2 (12))	5,434	5,426	48,365
Total liabilities	13,460,145	13,794,395	122,955,656
Net assets:			
Capital stock	207,111	207,111	1,846,081
Capital surplus	194,550	194,522	1,733,863
Retained earnings	422,422	460,683	4,106,280
Treasury shares	(48,876)	(67,763)	(604,004)
Total shareholders' equity	775,208	794,554	7,082,220
Valuation difference on available-for-sale securities	487,200	338,842	3,020,256
Deferred gains (losses) on hedging instruments	(8,601)	(5,203)	(46,379)
Land revaluation (Note 2 (12))	(43,288)	(35,354)	(315,127)
Foreign currency translation adjustment	21	17	154
Total accumulated other comprehensive income	435,331	298,302	2,658,902
Subscription rights to shares	926	1,178	10,501
Non-controlling interests	2,595	2,737	24,402
Total net assets	1,214,061	1,096,772	9,776,027
Total liabilities and net assets	¥14,674,207	¥14,891,167	\$132,731,684

See notes to consolidated financial statements.

Consolidated Statement of Operation

Years ended March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Ordinary revenues	¥2,025,925	¥1,975,784	\$17,611,058
Income from insurance premiums	1,574,506	1,505,234	13,416,836
Investment income	379,707	402,709	3,589,532
Interest, dividends and income from real estate for rent	290,725	276,628	2,465,712
Gains from monetary trusts, net	5,172	5,610	50,013
Gains on sales of securities	77,403	111,077	990,082
Gains on redemption of securities	3,198	—	—
Foreign exchange gains, net	801	1,295	11,544
Reversal of reserve for possible loan losses	137	292	2,609
Other investment income	2,268	2,386	21,270
Gains on separate accounts, net	—	5,418	48,299
Other ordinary income	71,665	67,838	604,679
Equity in earnings of affiliates	46	1	11
Ordinary expenses	1,854,490	1,818,556	16,209,615
Insurance claims and other payments	1,302,899	1,160,357	10,342,790
Insurance claims	376,421	349,055	3,111,284
Annuity payments	349,387	300,940	2,682,421
Insurance benefits	163,812	152,715	1,361,219
Surrender payments	341,583	307,840	2,743,923
Other payments	71,693	49,805	443,942
Provision for policy and other reserves	194,387	259,134	2,309,781
Provision for reserve for outstanding claims	—	2,151	19,179
Provision for policy reserve	194,321	256,954	2,290,352
Interest portion of reserve for policyholder dividends	65	27	249
Investment expenses	77,477	130,277	1,161,225
Interest expenses	909	573	5,107
Losses on investments in trading securities, net	7,823	587	5,238
Losses on sales of securities	16,357	57,725	514,529
Devaluation losses on securities	4,101	853	7,608
Losses from derivatives, net	22,180	49,712	443,113
Write-off of loans	4	2	20
Depreciation of real estate for rent	4,991	4,891	43,601
Other investment expenses	15,533	15,931	142,005
Losses on separate accounts, net	5,575	—	—
Operating expenses	198,999	197,600	1,761,297
Other ordinary expenses	80,727	71,186	634,520
Ordinary profit	171,434	157,227	1,401,443

(continued)

Years ended March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Extraordinary gains	¥ 163	¥ 300	\$ 2,674
Gains on disposal of fixed assets	4	239	2,138
State subsidy	158	60	535
Extraordinary losses	29,438	35,367	315,244
Losses on disposal of fixed assets	1,356	1,098	9,795
Impairment losses (Note 15)	4,203	4,779	42,606
Provision for reserve for price fluctuations	20,568	29,134	259,691
Head office transfer cost	2,591	—	—
Other extraordinary losses	718	353	3,151
Provision for reserve for policyholder dividends	31,920	25,374	226,170
Income before income taxes	110,239	96,786	862,702
Income taxes (current)	46,075	33,316	296,962
Income taxes (deferred)	(8,561)	(11,895)	(106,026)
Total income taxes	37,513	21,421	190,936
Profit	72,726	75,365	671,765
Profit attributable to non-controlling interests	179	177	1,585
Profit attributable to owners of parent	¥ 72,547	¥ 75,187	\$ 670,179

Consolidated Statement of Comprehensive Income

Years ended March 31,	¥ millions		US\$ thousands
	2016	2017	2017
Profit	¥ 72,726	¥ 75,365	\$ 671,765
Other comprehensive income:			
Valuation difference on available-for-sale securities	(162,509)	(148,357)	(1,322,372)
Deferred gains (losses) on hedging instruments	5,139	3,398	30,292
Land revaluation	155	—	—
Foreign currency translation adjustments	0	(0)	(1)
Share of other comprehensive income of associates accounted for using the equity method	(4)	(5)	(46)
Total other comprehensive income (Note 16)	(157,219)	(144,963)	(1,292,129)
Comprehensive income	¥ (84,492)	¥ (69,598)	\$ (620,364)
(Breakdown)			
Comprehensive income attributable to owners of parent	(84,673)	(69,776)	(621,946)
Comprehensive income attributable to non-controlling interests	180	177	1,582

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

¥ millions

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

¥ millions

Year ended March 31, 2017	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	¥207,111	¥194,550	¥422,422	¥(48,876)	¥775,208	¥ 487,200	¥(8,601)	¥(43,288)	¥21	¥ 435,331	¥ 926	¥2,595	¥1,214,061
Changes in the period:													
Dividends			(28,992)		(28,992)								(28,992)
Profit attributable to owners of parent			75,187		75,187								75,187
Purchase of treasury shares				(19,012)	(19,012)								(19,012)
Disposal of treasury shares		(28)		125	97								97
Reversal of land revaluation			(7,934)		(7,934)								(7,934)
Net changes of items other than shareholders' equity						(148,358)	3,398	7,934	(4)	(137,029)	251	142	(136,635)
Total changes in the period		(28)	38,261	(18,886)	19,345	(148,358)	3,398	7,934	(4)	(137,029)	251	142	(117,289)
Balance at the end of the year	¥207,111	¥194,522	¥460,683	¥(67,763)	¥794,554	¥ 338,842	¥(5,203)	¥(35,354)	¥17	¥ 298,302	¥1,178	¥2,737	¥1,096,772

US\$ thousands

Year ended March 31, 2017	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedging instruments	Land revaluation	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
Balance at the beginning of the year	\$1,846,081	\$1,734,118	\$3,765,243	\$(435,661)	\$6,909,781	\$4,342,638	\$(76,672)	\$(385,847)	\$190	\$3,880,309	\$8,257	\$23,132	\$10,821,480
Changes in the period:													
Dividends			(258,422)		(258,422)								(258,422)
Profit attributable to owners of parent			670,179		670,179								670,179
Purchase of treasury shares				(169,465)	(169,465)								(169,465)
Disposal of treasury shares		(255)		1,121	866								866
Reversal of land revaluation			(70,719)		(70,719)								(70,719)
Net changes of items other than shareholders' equity						(1,322,382)	30,292	70,719	(36)	(1,221,406)	2,244	1,270	(1,217,891)
Total changes in the period		(255)	341,037	(168,343)	172,438	(1,322,382)	30,292	70,719	(36)	(1,221,406)	2,244	1,270	(1,045,453)
Balance at the end of the year	\$1,846,081	\$1,733,863	\$4,106,280	\$(604,004)	\$7,082,220	\$3,020,256	\$(46,379)	\$(315,127)	\$154	\$2,658,902	\$10,501	\$24,402	\$9,776,027

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Cash flows from operating activities:			
Income before income taxes	¥ 110,239	¥ 96,786	\$ 862,702
Depreciation of real estate for rent	4,991	4,891	43,601
Other depreciation and amortization	10,254	11,345	101,128
Impairment losses	4,203	4,779	42,606
Increase (decrease) in reserve for outstanding claims	(5,188)	2,151	19,179
Increase (decrease) in policy reserve	194,321	256,954	2,290,352
Interest portion of reserve for policyholder dividends	65	27	249
Provision for reserve for (reversal of) policyholder dividends	31,920	25,374	226,170
Increase (decrease) in reserve for possible loan losses	(166)	(299)	(2,672)
Increase (decrease) in provision for bonuses to directors and audit & supervisory board members	38	(18)	(161)
Increase (decrease) in net defined benefit liability	9,459	(3,183)	(28,371)
Increase (decrease) in provision for directors' and audit & supervisory board members' retirement benefits	11	(25)	(223)
Increase (decrease) in reserve for price fluctuations	20,568	29,134	259,691
Interest, dividends and income from real estate for rent	(290,725)	(276,628)	(2,465,712)
Losses (gains) on investment securities	(46,744)	(57,329)	(511,005)
Interest expenses	909	573	5,107
Exchange losses (gains)	(1,257)	(540)	(4,816)
Losses (gains) on disposal of tangible fixed assets	1,294	656	5,852
Equity in losses (income) of affiliated companies	(46)	(1)	(11)
Decrease (increase) in amount due from agencies	(0)	(9)	(86)
Decrease (increase) in amount due from reinsurers	(286)	(2,794)	(24,905)
Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)	(11,767)	(7,347)	(65,489)
Increase (decrease) in amount due to agencies	(379)	(296)	(2,640)
Increase (decrease) in amount due to reinsurers	87	1,140	10,168
Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related)	(3,422)	3,337	29,747
Others, net	31,805	58,206	518,819
Subtotal	60,187	146,888	1,309,279
Interest, dividends and income from real estate for rent received	300,736	287,630	2,563,780
Interest paid	(923)	(573)	(5,111)
Policyholder dividends	(36,625)	(37,713)	(336,158)
Others, net	18,612	3,648	32,518
Income taxes paid	(32,545)	(56,119)	(500,214)
Net cash provided by (used in) operating activities	309,441	343,760	3,064,094

(continued)

		¥ millions	US\$ thousands
Years ended March 31,	2016	2017	2017
Cash flows from investing activities:			
Net decrease (increase) in cash and deposits	¥ 1,200	¥ (200)	\$ (1,782)
Investments in monetary claims purchased	(2,000)	(8,500)	(75,764)
Proceeds from sales and redemption of monetary claims purchased	31,285	47,777	425,861
Investments in monetary trusts	(82,737)	(113,277)	(1,009,692)
Proceeds from monetary trusts	200	60,070	535,430
Purchase of securities	(2,098,003)	(2,525,588)	(22,511,710)
Proceeds from sales and redemption of securities	1,981,004	1,843,117	16,428,532
Investments in loans	(360,390)	(345,104)	(3,076,067)
Collection of loans	458,059	429,496	3,828,293
Others, net	79,743	93,832	836,372
Subtotal	8,361	(518,376)	(4,620,526)
Total of net cash provided by (used in) operating activities and investment transactions as above	317,803	(174,616)	(1,556,431)
Purchase of tangible fixed assets	(26,648)	(17,387)	(154,985)
Proceeds from disposal of tangible fixed assets	64	1,575	14,041
Others, net	(342)	(316)	(2,818)
Net cash provided by (used in) investing activities	(18,563)	(534,505)	(4,764,288)
Cash flows from financing activities:			
Net increase (decrease) in short-term debenture	0	0	0
Proceeds from issuance of debt	13,600	11,700	104,287
Repayments of debt	(29,746)	(12,149)	(108,289)
Proceeds from issuance of bonds	30,150	—	—
Redemption of bonds	(31,100)	—	—
Proceeds from share issuance to non-controlling shareholders	—	13	118
Payment of lease obligations	(397)	(590)	(5,265)
Purchase of treasury shares	(30,015)	(19,012)	(169,465)
Proceeds from disposal of treasury shares	0	0	2
Dividends paid	(16,650)	(28,840)	(257,067)
Dividends paid to non-controlling interests	(51)	(48)	(430)
Others, net	0	0	0
Net cash provided by (used in) financing activities	(64,208)	(48,926)	(436,107)
Effect of exchange rate changes on cash and cash equivalents	(1,271)	17	152
Net increase (decrease) in cash and cash equivalents	225,397	(239,654)	(2,136,149)
Cash and cash equivalents at the beginning of the year	899,524	1,124,922	10,026,937
Cash and cash equivalents at the end of the year (Note 18)	¥ 1,124,922	¥ 885,267	\$ 7,890,788

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 Notes on Going-Concern Assumption

Not applicable.

Note 2 Summary of Significant Accounting Policies

(1) Basis of presentation

On April 1, 2004, T&D Holdings, Inc. (the "Company") was established as a life insurance holding company, 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.

Note 3 Loans

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

	¥ millions		US\$ thousands
	2016	2017	2017
As of March 31,			
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.

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

(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.

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:

Note 4 » Accumulated Depreciation of Tangible Fixed Assets

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

Years ended March 31,	2016	¥ millions 2017	US\$ thousands 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.

Years ended March 31,	2016	¥ millions 2017	US\$ thousands 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:

Years ended March 31,	2016	¥ millions 2017	US\$ thousands 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:

Years ended March 31,	2016	¥ millions 2017	US\$ thousands 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:

Years ended March 31,	2016	¥ millions 2017	US\$ thousands 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:

Years ended March 31,	2016	¥ millions 2017	US\$ thousands 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:

Years ended March 31,	¥ millions		US\$ thousands
	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.

Years ended March 31,	¥ millions		US\$ thousands
	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:

Years ended March 31,	¥ millions		US\$ thousands
	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:

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

Note 14 Assets Pledged as Collateral and Secured Debts

Assets pledged as collateral

Years ended March 31,	¥ millions		US\$ thousands
	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

Years ended March 31,	¥ millions		US\$ thousands
	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
Insurance operations, etc.	Minato-ku, Tokyo, etc.	¥3,057	¥ —	¥251	¥3,308
Rental properties, etc.	Kofu City, Yamanashi Prefecture, etc. (7 assets)	¥ —	¥845	¥626	¥1,471
					\$29,486
					\$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:

Years ended March 31,	¥ millions		US\$ thousands
	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:

- 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
- 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

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

(2) Held-to-maturity bonds

As of March 31, 2016	Carrying amount	Fair value	¥ millions
			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.

As of March 31, 2017	Carrying amount	Fair value	¥ millions
			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

As of March 31, 2017	US\$ thousands		
	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

As of March 31, 2016	¥ millions		
	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

As of March 31, 2017	¥ millions		
	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	¥455,276

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	Y 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

Year ended March 31, 2017	US\$ thousands		
	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

Year ended March 31, 2016	¥ millions		
	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

Year ended March 31, 2017	¥ millions		
	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

Year ended March 31, 2017	US\$ thousands		
	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

As of March 31, 2016	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
Over-the-counter transactions:				
Foreign exchange contracts:				
Sold	¥122,324	¥ —	¥ 360	¥ 360
U.S. dollar	90,962	—	994	994
Euro	11,953	—	(330)	(330)
Canadian dollar	3,899	—	(42)	(42)
Australian dollar	15,508	—	(262)	(262)
Bought	20,558	—	62	62
U.S. dollar	19,346	—	61	61
Euro	1,212	—	1	1
Currency options:				
Sold				
Call	40,120	—		
	[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.

As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
¥ millions				
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

As of March 31, 2017	Notional amount		Fair value	Valuation gains (losses)
	Total	Over one year		
US\$ thousands				
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:

- 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.
- 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.

b. Interest-related transactions

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.

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

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

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

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.

As of March 31, 2017	Notional amount		Fair value	¥ millions
	Total	Over one year		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)

As of March 31, 2017	Notional amount		Fair value	US\$ thousands
	Total	Over one year		Valuation gains (losses)
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
					Notional amount
As of March 31, 2016	Hedged item	Total	Over one year	Fair value	
Recognition of valuation gains/losses on hedged items:					
Foreign exchange contracts:					
Sold	Foreign currency-	¥2,543,856	¥ —	¥43,176	
U.S. dollar	denominated assets	1,735,277	—	42,855	
Euro		442,319	—	(2,134)	
British pound		203,120	—	7,177	
Canadian dollar		113,798	—	(1,694)	
Australian dollar		38,332	—	(2,286)	
Mexican peso		11,008	—	(741)	
Allocation treatment for foreign exchange contracts, etc.:					
Foreign exchange contracts:					
Sold	Certificates of deposit	70,000	—	—	
U.S. dollar	in foreign currencies	35,000	—	—	
Australian dollar		35,000	—	—	
Currency swaps:					
Receive yen, pay foreign currency	Foreign currency-	6,163	6,163	—	
U.S. dollar	denominated loans	6,163	6,163	—	
Total				¥43,176	

Notes:

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

2. Fair value of foreign exchange contracts, etc., with allocation 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
					Notional amount
As of March 31, 2017	Hedged item	Total	Over one year	Fair value	
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		Notional amount			
Hedged item		Total	Over one year	Fair value	
Recognition of valuation gains/losses on hedged items:					
Foreign exchange contracts:					
Sold	Foreign currency-	\$24,549,912	\$ —	\$(262,363)	
U.S. dollar	denominated assets	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	499,153	—	—	
U.S. dollar	in foreign currencies	53,480	—	—	
Australian dollar		445,672	—	—	
Currency swaps:					
Receive yen, pay foreign currency	Foreign currency-	169,014	169,014	—	
U.S. dollar	denominated loans	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		Notional amount			
Hedged item		Total	Over one year	Fair value	
Special treatment for interest rate swaps:					
Interest rate swaps:					
Receive fixed, pay floating	Loans	¥76,883	¥68,968	¥1,686	
Total				¥1,686	

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		Notional amount			
Hedged item		Total	Over one year	Fair value	
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				
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	¥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:

Years ended March 31,		¥ millions	US\$ thousands
	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

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

Years ended March 31,	¥ millions		US\$ thousands
	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:

Years ended March 31,	¥ millions		US\$ thousands
	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:

Years ended March 31,	¥ millions		US\$ thousands
	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 ¥ millions
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
Ordinary revenues	¥ 872,714	¥ 935,264	¥ 218,035	¥ 2,026,014	¥ 28,287	¥ 2,054,301	¥ (28,376)	¥ 2,025,925
Intergroup transfers	1,173	474	—	1,647	42,362	44,010	(44,010)	—
Total	873,887	935,739	218,035	2,027,662	70,649	2,098,312	(72,386)	2,025,925
Segment income (loss)	79,124	90,307	1,212	170,644	18,437	189,081	(17,647)	171,434
Segment assets	7,084,800	6,152,026	1,359,879	14,596,707	919,556	15,516,263	(842,055)	14,674,207
Segment liabilities	6,603,082	5,488,203	1,289,619	13,380,904	161,685	13,542,589	(82,443)	13,460,145
Others								
Depreciation of real estate for rent	2,354	2,658	—	5,012	—	5,012	(21)	4,991
Depreciation	5,708	3,903	136	9,748	702	10,451	(196)	10,254
Provision for (reversal of) policy reserve	39,665	181,309	(26,902)	194,071	250	194,321	—	194,321
Provision for (reversal of) reserve for policyholder dividends	18,135	13,788	(3)	31,920	—	31,920	—	31,920
Interest, dividends and income from real estate for rent	148,103	136,624	7,425	292,153	16,716	308,869	(18,144)	290,725
Interest expenses	871	32	3	908	29	937	(27)	909
Equity in 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						Adjustments	Amount on consolidated financial statements
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		
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						Adjustments	US\$ thousands
	Taiyo Life	Daido Life	T&D Financial Life	Subtotal	Others	Total		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

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

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

Year ended March 31, 2017	¥ millions				
	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

Year ended March 31, 2017	US\$ thousands				
	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

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
T&D Holdings, Inc.

We have audited the accompanying consolidated financial statements of T&D Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of T&D Holdings, Inc. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 28, 2017

Glossary

A

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

C

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

E

ERM (Enterprise Risk Management)	A strategic management method used to achieve managerial goals such as raising corporate value and maximizing earnings, through the integrated management of profit, risk and capital.
ESR (Economic Solvency Ratio)	An indicator of capital adequacy based on economic value, calculated by dividing the surplus by economic capital. An ESR of 100% means that capital and risk are equal. The higher the ESR, the greater the amount of capital relative to risk. Although ESR is widely used mainly in Europe, there is no standardized calculation method. Each life insurance company calculates ESR individually based on its internal models.
EV (Embedded Value)	EV (Embedded value) refers to the amount of net assets after tax which are considered to be the vested interests of shareholders, and is the sum of adjusted net worth, which is calculated from the balance sheet and suchlike, and the value of in-force business, which is calculated based on the in-force policies. The T&D Group positions EV as a measure of corporate value, and aims to achieve a steady and sustainable increase in its business value.

G

General account	The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by a company to meet fixed guaranteed rates of return for policyholders, and that company bears the investment risk on such assets.
------------------------	--

I	
Investment yield margin	The difference, with respect to a given year, between the actual investment yield for that year and the guaranteed rate of return used in calculating premiums.
M	
Morbidity rate	The relative incidence of disability due to disease or physical impairment.
Mortality rate	Rates of death, varying by such parameters as age, gender, and health, used in pricing and computing liabilities for future policyholder benefits for life insurance and annuity products.
Mortality rate margin	The difference between the mortality rate assumed by a company with respect to a given year in calculating premiums and the actual mortality rate for that year.
N	
Negative spread	<p>Negative spread = (Investment yield on core profit – Average assumed investment yield) x Policy reserve in general account</p> <ul style="list-style-type: none"> • “Investment yield on core profit” is calculated by dividing the numerator as investment revenues and expenses (investment profit in general account) included in core profit less the amount of provision for accumulated interest due to policyholders by the denominator as policy reserve in general reserve in general account. • “Average assumed investment yield” is calculated by dividing the numerator as assumed interest (general account only) by the denominator as policy reserve in general account. • “Policy reserve in general account” represents the earned policy reserve calculated for policy reserve in general account less the contingency reserve by the Hardy method as follows: $(\text{Policy reserve at beginning of fiscal year} + \text{Policy reserve at the end of fiscal year} - \text{Assumed interest}) \times 1/2$
Net level premium method	A method for setting aside policy reserves. Using this method, policy reserves are calculated assuming a constant amount of business expenses each time a premium is paid over the term of the policy. Generally speaking, the bulk of the business expenses of life insurance companies are incurred in the first fiscal year of a contract such as for the payment of remuneration to sales representatives and agencies, costs related to issuing insurance certificates, and commissions for medical examinations to doctors. In this sense, the net level premium method is a sounder way of setting aside reserves.
Non-participating policy	Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating or semi-participating policies.
P	
Participating policy	Policies under which the policyholder is eligible to share in the divisible surplus of a company—calculated based on the mortality rate margin, investment yield margin, and administrative expense margin—through the receipt of annual policyholder dividends.
Policy reserve	A reserve established for the fulfillment of insurance claims and other payments related to a company's outstanding policies that are expected to be paid in the future. The policy reserve consists of a premium reserve (other than unearned premiums), an unearned premium reserve, a repayment reserve, and a contingency reserve. A company uses the net level premium method to calculate the amount it sets aside each year as a policy reserve. The policy reserve is one of the three reserves comprising the reserve for policy and other reserves.

R

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

S

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

T

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

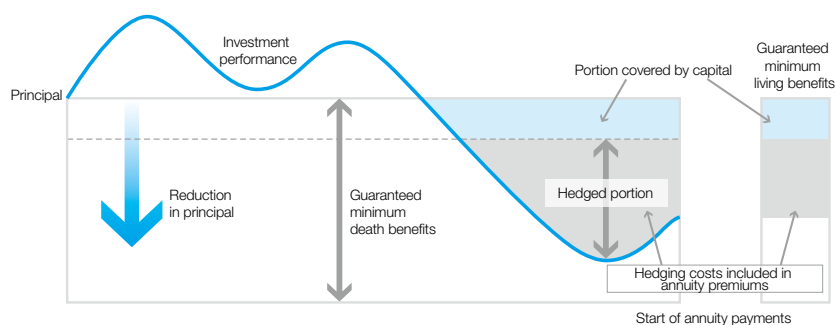
V

Variable annuity

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

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

Illustration of risk management using hedging



Z

Zillmer method

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

History

 TAIYO-LIFE			
1893	May 1893 Taiyo Life founded as the Nagoya Life Insurance Co., Ltd.		
1902		July 1902 Daido Life Insurance Company founded as a joint stock company through the merger of Asahi Life Insurance Co., Gokoku Life Insurance Co., and Hokkai Life Insurance Co.	
1940s	February 1948 Established the Taiyo Mutual Life Insurance Company	July 1947 Established Daido Life as a mutual company	
		Life Insurance Industry Developments	
1999	Jan. Taiyo Life and Daido Life announced a broad business alliance Jun. The group name "T&D Life Group" was announced Oct. Launched T&D Taiyo Daido Asset Management Co., Ltd. through a merger of domestic investment advisory companies Launched T&D Confirm, Ltd. by integrating policy confirmation operations	 	
2000			Jun. The Financial Supervisory Agency announced the Inspection Manual for Insurance Companies
2001	Oct. T&D Financial Life Insurance Company joined the Group and began operations Launched T&D Information Systems, Ltd. by integrating Group system divisions	 	Jul. Restrictions on selling Third Sector products lifted at all domestic insurance companies
2002	Apr. Demutualized Daido Life to a joint stock company and listed its shares on the Tokyo Stock Exchange and Osaka Securities Exchange (now Osaka Exchange, Inc.) Jul. Launched T&D Asset Management Co., Ltd. through a merger of T&D Taiyo Daido Asset Management Co., Ltd. and Daido Life Investment Trust Management Co., Ltd. Aug. Launched T&D Taiyo Daido Lease Co., Ltd. by integrating Group leasing businesses		Oct. Broadened the scope of products that can be sold at banks (individual annuities, etc.)
2003	Apr. Demutualized Taiyo Life to a joint stock company and listed its shares on the Tokyo Stock Exchange		Jul. Revised Insurance Business Act enacted
2004	Apr. Established T&D Holdings, Inc. and listed on the Tokyo Stock Exchange and Osaka Securities Exchange (now Osaka Exchange, Inc.) (Taiyo Life, Daido Life, and T&D Financial Life became wholly owned subsidiaries of T&D Holdings, Inc.) Dec. Daido Life won the prestigious Porter Prize		
2005	Sep. Internal reorganization of the Group in-house sales representative channel at T&D Financial Life		Aug. The Financial Services Agency eliminated business guidelines and announced the Comprehensive Regulatory Policies with Respect to Insurance Companies Dec. Broadened the scope of products that can be sold at banks (single-premium whole life insurance, single-premium endowment insurance, etc.)

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



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

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

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

2010

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

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

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

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

2015 Mar. Start of mutual supply and sales (cross-selling) of the products of Taiyo Life and Daido Life
Nov. T&D Asset Management relocated

2016 Jan. Head offices of three Group companies (T&D Holdings, Taiyo Life and Daido Life) relocated

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

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

Apr. Entered full-time Internet life insurance business

Apr. Insurance Act enacted

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

May Revision of the Insurance Business Act

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

IR Activities

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

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

EARNINGS ANNOUNCEMENT CALENDAR

November 13, 2017 Announcement of 2Q financial results for the year ending March 31, 2018

* Planned as of September 2017 and may change.

NUMBER OF IR MEETINGS

	Times
	Fiscal 2016
Financial results meetings for institutional investors and analysts	2
Financial results telephone conferences for institutional investors and analysts	4
Conferences sponsored by securities firms	7
One-on-one meetings	234
Information meetings for individual investors and sales persons at securities firms	9



▲ Scenes from an IR meeting for institutional investors and analysts ▶



IR POLICY

1. Purpose of IR Activities

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

2. Individuals and Department Responsible for IR Activities

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

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

3. IR Information

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

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

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

- Annual reports and other IR-related booklets/publications

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

4. Feedback to Management

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

5. Silent Period

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

6. Formulation of IR Activity Plans and Verification

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

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

Stock Information

As of March 31, 2017

BASIC INFORMATION

Stock Exchange Listings	Tokyo Stock Exchange
Industry and Security Code	Insurance, 8795
Trading Unit	100 shares
Number of Shares of Common Stock	Authorized: 1,932,000,000 Issued: 681,480,000
Fiscal Year-End	March 31 every year
Ordinary General Meeting of Shareholders	June every year
Date of Record	Ordinary General Meeting of Shareholders March 31 every year Dividends March 31 every year (interim dividend, when paid, on September 30)
Public Notice	<ul style="list-style-type: none"> • Electronic public notice (Japanese only) • URL: http://www.td-holdings.co.jp/information/public.html/ • If the Company is unable to issue an electronic public notice due to an accident or any other unavoidable reason, a public notice will be issued in the <i>Nihon Keizai Shimbun</i> (daily newspaper).
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan URL: http://www.tr.mufg.jp/english/
Number of Shareholders	239,417

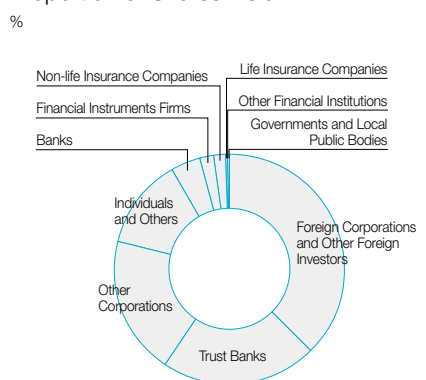
PRINCIPAL SHAREHOLDERS

Name of Shareholders	Number of Shares Held	Percentage of Total Shares Outstanding
Japan Trustee Services Bank, Ltd. (Trust Account)	35,346	5.19
The Master Trust Bank of Japan Ltd. (Trust Account)	33,170	4.87
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,487	2.27
Japan Trustee Services Bank, Ltd. (Trust Account 5)	13,214	1.94
Japan Trustee Services Bank, Ltd. (Trust Account 1)	9,731	1.43
Japan Trustee Services Bank, Ltd. (Trust Account 2)	9,694	1.42
Japan Trustee Services Bank, Ltd. (Trust Account 7)	9,194	1.35
GOLDMAN, SACHS & CO. REG	8,979	1.32
STATE STREET BANK WEST CLIENT-TREATY 505234	8,822	1.29
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	8,601	1.26

Note: In addition to the above, the Company holds 48,925 thousand shares [7.18%] in treasury.

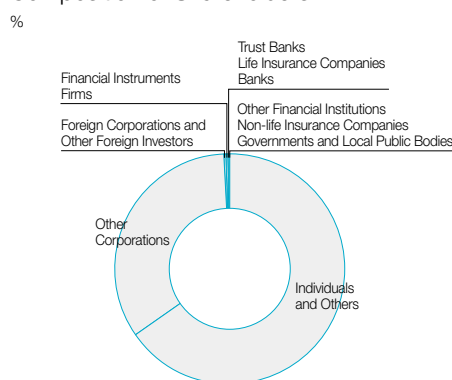
COMPOSITION OF SHAREHOLDERS AND SHARES

Proportion of Shares Held



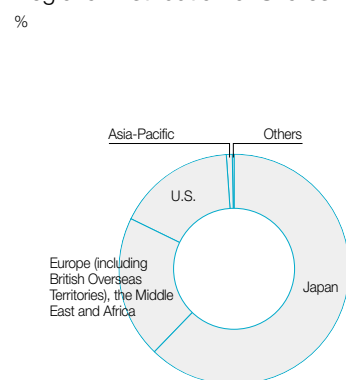
1 Foreign Corporations and Other Foreign Investors	37.73
2 Trust Banks	21.76
3 Other Corporations	19.53
4 Individuals and Others	12.81
5 Banks	4.13
6 Financial Instruments Firms	1.88
7 Non-life Insurance Companies	1.80
8 Life Insurance Companies	0.35
9 Other Financial Institutions	0.01
10 Governments and Local Public Bodies	0.00

Composition of Shareholders



1 Individuals and Others	65.49
2 Other Corporations	34.17
3 Foreign Corporations and Other Foreign Investors	0.28
4 Financial Instruments Firms	0.02
5 Trust Banks	0.01
6 Life Insurance Companies	0.01
7 Banks	0.01
8 Other Financial Institutions	0.00
9 Non-life Insurance Companies	0.00
10 Governments and Local Public Bodies	0.00

Regional Distribution of Shares Held



1 Japan	62.27
2 Europe (including British Overseas Territories), the Middle East and Africa	19.99
3 U.S.	16.63
4 Asia-Pacific	1.09
5 Others	0.02

Group Companies

As of March 31, 2017

The T&D Life Group comprised the holding company, 16 consolidated subsidiaries, and 3 affiliated companies as of March 31, 2017. Centered on the life insurance business, the T&D Life Group's operations are outlined below:

T&D Holdings, Inc.	Insurance & Insurance-related Businesses <7 companies>	Insurance <ul style="list-style-type: none"> ■ Taiyo Life Insurance Company (Life insurance business) ■ Daido Life Insurance Company (Life insurance business) ■ T&D Financial Life Insurance Company (Life insurance business) ■ Pet & Family Small-amount Short-term Insurance Company (Small-amount short-term insurance business) Insurance-related <ul style="list-style-type: none"> ■ T&D Confirm Ltd. (Policyholder confirmation services) ■ Toyo Insurance Agency Co., Ltd. (Insurance agent) ■ Daido Management Service Co., Ltd. (Insurance agent)
	Investment-related Businesses <7 companies>	Investment Management and Advisory <ul style="list-style-type: none"> ■ T&D Asset Management Co., Ltd. (Investment advisory and investment trust services) Other Investment-related <ul style="list-style-type: none"> ■ T&D Lease Co., Ltd. (Leasing) ■ Taiyo Credit Guarantee Co., Ltd. (Credit guarantee services) ● Alternative Investment Capital, Ltd. (Investment in private equity funds) Other subsidiaries and affiliated companies, etc.: 3 companies
	Administration-related Businesses <5 companies>	Administration-related <ul style="list-style-type: none"> ■ T&D Customer Services Co., Ltd. (Life insurance policy clerical services, including drafting, amendment, custody and distribution of documents, and delivery of securities) General Affairs and Calculation-related <ul style="list-style-type: none"> ■ T&D Information Systems, Ltd. (Computer software and system services) ■ Nihon System Shuno, Inc. (Premium collection) ■ Zenkoku Business Center Co., Ltd. (Premium collection) ● Thuriya Ace Technology Company Limited (Information technology for insurance companies, design and development of information technology systems and software solutions, etc.)

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

Corporate Overview

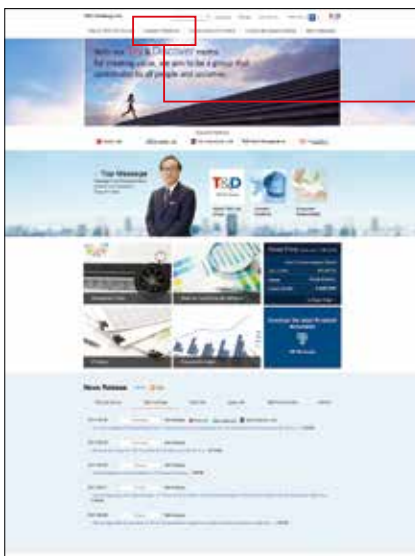
As of March 31, 2017

Company Name	T&D Holdings, Inc.
Date of Establishment	April 1, 2004
Location of Headquarters	7-1, Nihonbashi 2-Chome, Chuo-ku, Tokyo 103-6031, Japan Tel: +81 3 3272-6110 Fax: +81 3 3272-6552
Type of Business	Management control of life insurance subsidiaries, under the Insurance Business Act of Japan and other laws and regulations, and other businesses associated with the above
Paid-in Capital	¥207,111.86 million
Number of Employees	95
Independent Auditors	Ernst & Young ShinNihon LLC
Contact	T&D Holdings, Inc., Group Planning Department, Investor Relations Division Tel: +81 3 3272-6103 Fax: +81 3 3272-6552
URL	http://www.td-holdings.co.jp/en/

ACCESS MAP



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



Investor Relations



ANNUAL REPORT 2017 (Integrated Edition)
WEBSITE GUIDE



T&D Holdings' latest Annual Report 2017 (Integrated Edition) can be viewed on our website.

T&D Holdings, Inc.

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