May 26, 2016

# Financial Results for the Fiscal Year Ended March 31, 2016

Nippon Life Insurance Company (the “Company”; President: Yoshinobu Tsutsui) announces financial results for the fiscal year ended March 31, 2016.

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Financial Summary for the Fiscal Year Ended March 31, 2016



Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2016

The Company will submit the financial results for the fiscal year ended March 31, 2016 for discussion at the 69th annual meeting of the representatives of policyholders to be held on July 5, 2016. A summary of the results is provided below.

## 1. Business Highlights

### (1) Amount of Policies in Force and New Policies

- Policies in Force

| | As of March 31, 2016 | | | | As of March 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of policies | | Amount of policies | | Number of policies | | Amount of policies | |
| | (thousands) | As a percentage of March 31, 2015 (%) | (100 million yen) | As a percentage of March 31, 2015 (%) | (thousands) | As a percentage of March 31, 2014 (%) | (100 million yen) | As a percentage of March 31, 2014 (%) |
| Individual insurance | 23,123 | 112.1 | 1,451,163 | 99.0 | 20,635 | 115.1 | 1,466,493 | 97.2 |
| Individual annuities | 3,525 | 102.2 | 218,107 | 101.7 | 3,448 | 101.6 | 214,561 | 102.0 |
| Group insurance | — | — | 932,899 | 100.7 | — | — | 925,954 | 100.6 |
| Group annuities | — | — | 123,757 | 106.0 | — | — | 116,806 | 103.1 |

Notes: 1. The amount of individual annuities is the total of (a) annuity resources at the start of annuity payments for policies bound prior to the start of annuity payments and (b) policy reserves for policies bound after the start of annuity payments.
2. The amount of group annuities is the amount of the policy reserves.

- New Policies

| | Year ended March 31, 2016 | | | | | | Year ended March 31, 2015 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of policies | | Amount of policies | | | | Number of policies | | Amount of policies | | | |
| | (thousands) | As a percentage of March 31, 2015 (%) | (100 million yen) | As a percentage of March 31, 2015 (%) | New policies | Net increase (decrease) by conversion | (thousands) | As a percentage of March 31, 2014 (%) | (100 million yen) | As a percentage of March 31, 2014 (%) | New policies | Net increase (decrease) by conversion |
| Individual insurance | 4,412 | 100.3 | 94,010 | 123.2 | 96,367 | (2,356) | 4,397 | 93.9 | 76,278 | 104.8 | 82,681 | (6,403) |
| Individual annuities | 223 | 105.7 | 14,626 | 95.1 | 14,454 | 171 | 211 | 61.7 | 15,381 | 63.2 | 15,230 | 151 |
| Group insurance | — | — | 3,741 | 56.8 | 3,741 | | — | — | 6,587 | 110.4 | 6,587 | |
| Group annuities | — | — | 16 | 3.7 | 16 | | — | — | 439 | 3,353.4 | 439 | |

Notes: 1. New policies include enrollment using the coverage enhancement system, and conversion indicates enrollment using the coverage revision system and partial coverage revision system.
2. The number of policies includes policies that were converted into new policies.
3. The amount of new policies and net increase in policies by conversion for individual annuities represents annuity resources at the start of annuity payments.
4. The amount of new policies for group annuities represents the first time premium.

## (2) Annualized Net Premium

- Policies in Force

(100 Million Yen, %)

| | | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|---|
| | | | As a percentage of March 31, 2015 | | As a percentage of March 31, 2014 |
| Individual insurance | | 25,486 | 103.6 | 24,591 | 102.0 |
| Individual annuities | | 8,814 | 102.1 | 8,632 | 100.7 |
| Total | | 34,300 | 103.2 | 33,224 | 101.6 |
| | Medical coverages, living benefits, and others | 6,125 | 102.1 | 6,002 | 100.7 |

- New Policies

(100 Million Yen, %)

| | | Year ended March 31, 2016 | | Year ended March 31, 2015 | |
|---|---|---|---|---|---|
| | | | As a percentage of March 31, 2015 | | As a percentage of March 31, 2014 |
| Individual insurance | | 2,673 | 115.8 | 2,308 | 105.9 |
| Individual annuities | | 556 | 97.6 | 570 | 71.5 |
| Total | | 3,229 | 112.2 | 2,878 | 96.7 |
| | Medical coverages, living benefits, and others | 493 | 119.9 | 411 | 100.2 |

Notes: 1. The amount of annualized net premium is the annual premium amount calculated by multiplying factors according to the premium payment method to a single premium payment amount (for lump-sum payment, the amount is the total premium divided by the insured period).

2. The amount of medical coverages, living benefits, and others represents annualized premium related to medical benefits (hospitalization benefits and surgical benefits), living benefits (specified illness benefits and nursing care benefits), and waiver of premium benefits (excluding disability benefits, but including specified illness and nursing care benefits).

3. Annualized new policy net premium includes net increases due to conversions.

## (3) Major Profit and Loss Items

(100 Million Yen, %)

| | Year ended March 31, 2016 | | Year ended March 31, 2015 | |
|---|---|---|---|---|
| | | As a percentage of March 31, 2015 | | As a percentage of March 31, 2014 |
| Revenues from insurance and reinsurance | 60,809 | 113.9 | 53,371 | 110.6 |
| Investment income | 15,001 | 84.6 | 17,739 | 105.4 |
| Benefits and other payments | 37,498 | 95.4 | 39,321 | 104.1 |
| Investment expenses | 2,166 | 153.7 | 1,409 | 75.7 |
| Ordinary profit | 5,375 | 88.5 | 6,072 | 118.5 |

## (4) Proposed Appropriations of Surplus

(100 Million Yen, %)

| | Year ended March 31, 2016 | | Year ended March 31, 2015 | |
|---|---|---|---|---|
| | | As a percentage of March 31, 2015 | | As a percentage of March 31, 2014 |
| Current-year unappropriated surplus | 2,920 | 92.0 | 3,174 | 101.9 |
| Reserve for dividends to policyholders | 2,298 | 89.3 | 2,572 | 127.5 |
| Net surplus after deduction | 628 | 103.4 | 607 | 55.0 |

## (5) Total Assets

(100 Million Yen, %)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | | As a percentage of March 31, 2015 | | As a percentage of March 31, 2014 |
| Total assets | 634,538 | 101.9 | 622,830 | 109.7 |

## 2. Overview of General Accounts Asset Management for the Fiscal Year Ended March 31, 2016

### (1) Investment Environment

In the fiscal year ended March 31, 2016, the Japanese economy experienced a slower pace of economic recovery in the first half of the fiscal year, primarily due to concerns about the Chinese economy decelerating in the wake of the devaluation of the Chinese yuan and a drop in exports. In the second half of the fiscal year, the economy staged a gradual recovery, partly due to improving corporate earnings mainly in the non-manufacturing sector amid continuing improvement in employment and income levels, despite signs of weakness in some economic conditions.

- The Nikkei Stock Average started the fiscal year at ¥19,206. From mid-August, the index declined in line with concerns about the Chinese economy decelerating in the wake of the devaluation of the Chinese yuan and a deterioration in investor sentiment. However, the Nikkei Stock Average temporarily increased around December, reflecting favorable views of the U.S. interest rate hike. Nevertheless, in response to the yen's sharp appreciation and a drop in crude oil prices around the fiscal year-end, the index finished at ¥16,758 at the end of March.
- The yield rate on 10-year government bonds started the fiscal year at 0.40%. The rate then began moving upward again, driven by a sense of caution over interest rate rises in the U.S. and Germany. However, the rate declined from mid-August due to concerns over the deceleration of the Chinese economy and a decline in expectations for an early interest rate hike by the Federal Reserve Board. In the second half of the fiscal year, the yield rate continued to decline in response to the introduction of negative interest rates by the Bank of Japan, finishing at -0.05% at the end of March.
- The yen-U.S. dollar exchange rate started the fiscal year at the ¥120 level. Thereafter, the U.S. dollar depreciated due to concerns over the deceleration of the Chinese economy and a decline in expectations for an early interest rate hike by the Federal Reserve Board. In the second half of the fiscal year, although the Federal Reserve Board raised its policy rate in December, the U.S. dollar was sold as a result of a decline in expectations for additional interest rate hikes. Consequently, the yen-U.S. dollar exchange rate finished at ¥112.68 at the end of March.

  The yen-euro exchange rate started the fiscal year at the ¥130 level. Subsequently, the euro was bought following an interest rate hike in Germany. In the second half of the fiscal year, the euro was being sold against the yen, in response to the European Central Bank's accommodative stance. The yen-euro rate finished at ¥127.70 at the end of March.

### (2) Investment Policy

The Company's general account assets increased by ¥906.3 billion compared to the end of the fiscal year ended March 31, 2015, totaling ¥62,075.8 billion as of March 31, 2016 (1.5% increase compared to the previous fiscal year-end).

The Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds, as its core assets. From the perspective of improving profits in the mid-to long-term, the Company invested in assets such as stocks and foreign securities within the scope of acceptable risk while taking into account business stability.

- The Company invested in bonds as sound assets that provide stable interest revenue.
- The Company focused on safe and stable prime lending by accurately assessing credit risks.
- For domestic stocks, the Company strove to enhance the profitability of its portfolio by replacing certain stocks, while focusing the Company's attention on the overall state including corporate profitability and dividends from the point of view of investing for the medium- to long-term.
- Regarding foreign securities, the Company invested in foreign currency-denominated bonds based on currency movements. Also, the Company invested in foreign bonds that hedge the risk of exchange rate fluctuations, taking into consideration the advantages of yen interest rate assets.

(3) Status of Investment Income/Expense

Investment income was ¥1,500.1 billion, down from ¥1,619.7 billion in the fiscal year ended March 31, 2015. The decrease mainly reflected a decline in gain on sales of domestic stocks.

Investment expenses amounted to ¥185.4 billion, up from ¥140.9 billion in the fiscal year ended March 31, 2015. This increase mainly reflected an increase in loss on valuation of securities, primarily of foreign securities.

As a result, the Company's net investment income balance decreased by ¥164.0 billion from the previous fiscal year, to ¥1,314.7 billion.

(4) Investment Risk Management

Investment risk refers to the risk of incurring losses when the value of the Company's assets and liabilities fluctuates. It can be categorized into market risk, credit risk and real estate investment risk. The long-term nature of life insurance policies requires a long-term approach based on liability characteristics to managing risks associated with investment. Hence, we seek to manage our portfolio efficiently based on risk-return analyses that emphasize the importance of generating investment returns over the medium and long terms. The Company has therefore established an Investment Risk Management Department within the Risk Management Department, and, by maintaining and upgrading its rigorous system for managing risks, the Company seeks to limit losses to acceptable levels while pursuing stable returns.

a. Market risk management

Market risk refers to the risk of incurring losses when the fair value of investment assets and liabilities fluctuates due to such factors as fluctuations in interest rates, exchange rates, or stock prices. The Company believes that in managing market risk, it is important to control market risk in the Company's portfolio within acceptable boundaries of risk, in addition to avoiding excessive losses from individual financing and investment transactions.

- Establishing investment limits

  To avoid excessive losses from financing and investment transactions, the Company has implemented investment limits based on the nature of the assets. In addition, the Company monitors and regularly reports on the status of compliance to the Risk Management Committee and has developed a system to control risk within acceptable levels in the event of a breach of the internal rules.

- Measurement and management of market value-at-risk

  To control market risk in the Company's portfolio, the Company uses a statistical analysis method to reasonably calculate the market value-at-risk of the portfolio as a whole and conducts appropriate asset allocation within acceptable boundaries of risk.

b. Credit risk management

Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of the party to whom credit has been extended. It includes country risk. The Company believes that in managing credit risk, it is important to examine each transaction rigorously, set terms appropriate to the level of credit risk involved, and conduct thorough analyses to accurately evaluate risks in the Company's portfolio as a whole.

- Credit risk management in individual transactions

  The Company has built a thorough monitoring system involving the Credit Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group or country.

- Measurement and management of credit value-at-risk

  The Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

c. Real estate investment risk management

Real estate investment risk refers to the risk of reduced returns caused by such factors as rent decline as well as incurring losses when real estate values decline due to market deterioration and other factors. The Company's approach to managing real estate investment risk involves the rigorous examination of each investment by the Credit Department, which is independent of the departments handling investment and finance activities. The Company also adheres to a system involving warning levels for investment returns and prices. This enables the Company to appropriately focus management efforts on properties with low profitability.

(5) ALM

For life insurance companies to carry out stable management in the long term, it is important to use the Asset Liability Management (ALM) approach as a basis for understanding the situation of liabilities that pay future insurance benefits (policy reserves) and investment assets, as well as for adjusting investment periods. The Company analyzes and evaluates liability cash flows, risk of falling short of assumed interest rates, and level of allowed risk for each product, and decides the medium-to long-term investment plan at the Managing Directors' Meetings and the Risk Management Committee Meetings.

(6) Self-Assessment and Allowance for Doubtful Accounts

Asset self-assessment refers to evaluating individual assets based on the financial condition of each borrower and its collateral. Assets are classified into four categories (Noncategorized, II, III, or IV).
To ensure the objectivity of the self-assessment process, the Company has established a highly reliable framework that includes:

- Strict assessment standards based on the Inspection Manual for Insurance Companies of the Financial Services Agency
- Internal audit by the Auditing Department, which is independent from the groups handling the actual assessment
- External audit by external auditors (certified public accountants)

In the fiscal year ended March 31, 2016, the Company recorded an appropriate allowance for doubtful accounts according to the same allowance standards as the previous fiscal year.

Allowance for doubtful accounts standard:

- Normal: General allowance for doubtful accounts based on actual loan losses in the previous fiscal year.
- On caution: General allowance for doubtful accounts based on the accumulated actual loan loss ratio (ratio of losses incurred from loans within three years from a certain date) for the previous three fiscal years.
  Substandard: Corporate loans are divided into two categories: those that are not secured by collateral, guarantees, or others, and the actual loan loss ratio is calculated.
- For doubtful, quasi-bankrupt and bankrupt loans, the necessary amount, concerning the balance calculated by subtracting the estimated collectable amount based on collateral and guarantees from total loans, is provided as a specific allowance for doubtful accounts. The portion of the amount in "Category IV" is directly deducted from total loans.

## 3. Investment Management Performance (General Account)

### (1) Asset Composition

(100 Million Yen, %)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Cash, deposits, and call loans | 10,037 | 1.6 | 10,047 | 1.6 |
| Receivables under resale agreements | — | — | — | — |
| Receivables under securities borrowing transactions | — | — | — | — |
| Monetary receivables purchased | 4,199 | 0.7 | 4,987 | 0.8 |
| Proprietary trading securities | — | — | — | — |
| Assets held in trust | 19 | — | — | — |
| Investments in securities: | 501,337 | 80.8 | 488,339 | 79.8 |
| Domestic bonds | 233,548 | 37.6 | 226,544 | 37.0 |
| Domestic stocks | 81,076 | 13.1 | 90,752 | 14.8 |
| Foreign securities: | 171,581 | 27.6 | 161,449 | 26.4 |
| Foreign bonds | 134,251 | 21.6 | 120,772 | 19.7 |
| Foreign stocks and other securities | 37,330 | 6.0 | 40,676 | 6.6 |
| Other securities | 15,130 | 2.4 | 9,593 | 1.6 |
| Loans: | 81,214 | 13.1 | 83,576 | 13.7 |
| Policy loans | 6,958 | 1.1 | 7,365 | 1.2 |
| Industrial and consumer loans | 74,256 | 12.0 | 76,210 | 12.5 |
| Real estate: | 16,779 | 2.7 | 16,965 | 2.8 |
| Investment property | 10,796 | 1.7 | 10,799 | 1.8 |
| Deferred tax assets | — | — | — | — |
| Other assets | 7,206 | 1.2 | 7,844 | 1.3 |
| Allowance for doubtful accounts | (35) | (0.0) | (65) | (0.0) |
| Total assets (general account): | 620,758 | 100.0 | 611,694 | 100.0 |
| Foreign currency-denominated assets | 151,783 | 24.5 | 139,787 | 22.9 |

Notes: 1. The above assets include cash received as collateral under securities lending transactions. Cash collateral received through these transactions is also recorded in liabilities as cash received as collateral under securities lending transactions (¥661.8 billion and ¥529.9 billion as of March 31, 2016 and 2015, respectively).

2. Real estate is the sum of land, buildings, and construction in progress.

## (2) Increases/Decreases in Assets

(100 Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Cash, deposits, and call loans | (9) | 2,546 |
| Receivables under resale agreements | — | — |
| Receivables under securities borrowing transactions | | (1,598) |
| Monetary receivables purchased | (788) | (718) |
| Proprietary trading securities | — | — |
| Assets held in trust | 19 | — |
| Investments in securities: | 12,997 | 55,632 |
| Domestic bonds | 7,003 | 9,876 |
| Domestic stocks | (9,676) | 19,296 |
| Foreign securities: | 10,132 | 22,688 |
| Foreign bonds | 13,478 | 18,514 |
| Foreign stocks and other securities | (3,345) | 4,174 |
| Other securities | 5,537 | 3,770 |
| Loans: | (2,361) | (1,713) |
| Policy loans | (406) | (457) |
| Industrial and consumer loans | (1,954) | (1,256) |
| Real estate: | (186) | (58) |
| Investment property | (3) | 94 |
| Deferred tax assets | — | — |
| Other assets | (638) | 1,967 |
| Allowance for doubtful accounts | 30 | 4 |
| Total assets (general account): | 9,063 | 56,061 |
| Foreign currency-denominated assets | 11,995 | 23,058 |

Notes: 1. Increases/decreases in cash received as collateral under securities lending transactions are as follows: ¥131.8 billion and ¥(272.7 billion) for the fiscal years ended March 31, 2016 and 2015, respectively.

2. Real estate is the sum of land, buildings, and construction in progress.

## (3) Investment Income

(100 Million Yen)

| | | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|---|
| Interest, dividends, and other income: | | 13,961 | 13,717 |
| | Interest on deposits and savings | 2 | 2 |
| | Interest on securities and dividends | 11,446 | 11,138 |
| | Interest on loans | 1,533 | 1,612 |
| | Real estate rental income | 856 | 827 |
| | Other income | 122 | 137 |
| Gain on proprietary trading securities | | — | — |
| Gain from assets held in trust, net | | — | 0 |
| Gain on trading securities | | — | — |
| Gain on sales of securities: | | 941 | 2,420 |
| | Gain on sales of domestic bonds, including national government bonds | 126 | 129 |
| | Gain on sales of domestic stocks and other securities | 759 | 2,167 |
| | Gain on sales of foreign securities | 56 | 123 |
| | Other gains | — | — |
| Gain on redemptions of securities | | 71 | 50 |
| Gain on derivative financial instruments, net | | — | — |
| Foreign exchange gains, net | | — | — |
| Reversal of allowance for doubtful accounts | | 22 | 4 |
| Other investment income | | 4 | 4 |
| Total | | 15,001 | 16,197 |

## (4) Investment Expenses

(100 Million Yen)

| | | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|---|
| Interest expenses | | 144 | 98 |
| Loss on proprietary trading securities | | — | — |
| Loss from assets held in trust, net | | 0 | — |
| Loss on trading securities | | — | — |
| Loss on sales of securities: | | 135 | 183 |
| | Loss on sales of domestic bonds, including national government bonds | 6 | 14 |
| | Loss on sales of domestic stocks and other securities | 6 | 98 |
| | Loss on sales of foreign securities | 123 | 69 |
| | Other losses | 0 | — |
| Loss on valuation of securities: | | 357 | 32 |
| | Loss on valuation of domestic bonds, including national government bonds | — | — |
| | Loss on valuation of domestic stocks and other securities | 146 | 1 |
| | Loss on valuation of foreign securities | 209 | 30 |
| | Other losses | 2 | 0 |
| Loss on redemptions of securities | | 239 | 215 |
| Loss on derivative financial instruments, net | | 558 | 463 |
| Foreign exchange losses, net | | 0 | 4 |
| Provision for allowance for doubtful accounts | | — | — |
| Write-offs of loans | | 0 | 0 |
| Depreciation of rental real estate and other assets | | 156 | 153 |
| Other investment expenses | | 259 | 258 |
| Total | | 1,854 | 1,409 |

## (5) Investment Indicators

### 1) Yield on primary assets

(%)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Cash, deposits, and call loans | 0.08 | 0.09 |
| Receivables under resale agreements | — | — |
| Receivables under securities borrowing transactions | 0.08 | 0.08 |
| Monetary receivables purchased | 2.01 | 2.07 |
| Proprietary trading securities | — | — |
| Assets held in trust | (63.56) | — |
| Investments in securities: | 2.70 | 3.23 |
| Domestic bonds | 1.88 | 1.93 |
| Domestic stocks | 5.42 | 8.51 |
| Foreign securities: | 3.30 | 3.75 |
| Foreign bonds | 2.49 | 3.06 |
| Foreign stocks and other securities | 6.06 | 5.87 |
| Loans: | 1.85 | 1.94 |
| Industrial and consumer loans | 1.57 | 1.66 |
| Real estate: | 2.82 | 2.67 |
| Investment property | 4.40 | 4.22 |
| General account total: | 2.42 | 2.83 |
| Overseas investments | 3.21 | 3.66 |

Notes: 1. Yields are calculated by dividing investment income less investment expenses by the daily average book value balance.
2. The amount of overseas investments is the sum of assets denominated in foreign currencies and yen.

### 2) Daily average balance

(100 Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Cash, deposits, and call loans | 6,858 | 5,216 |
| Receivables under resale agreements | — | — |
| Receivables under securities borrowing transactions | 1,867 | 2,556 |
| Monetary receivables purchased | 4,697 | 5,457 |
| Proprietary trading securities | — | — |
| Assets held in trust | 0 | — |
| Investments in securities: | 414,630 | 394,148 |
| Domestic bonds | 225,894 | 220,226 |
| Domestic stocks | 41,943 | 40,610 |
| Foreign securities: | 136,252 | 125,866 |
| Foreign bonds | 105,328 | 95,112 |
| Foreign stocks and other securities | 30,924 | 30,754 |
| Loans: | 82,610 | 83,958 |
| Industrial and consumer loans | 75,461 | 76,386 |
| Real estate: | 16,913 | 17,101 |
| Investment property | 10,828 | 10,839 |
| General account total: | 542,290 | 522,795 |
| Overseas investments | 142,095 | 130,854 |

## (6) Net Valuation Gains/Losses on Trading Securities

(100 Million Yen)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Balance sheet amount | Valuation gains (losses) included in profit and loss | Balance sheet amount | Valuation gains (losses) included in profit and loss |
| Trading securities | 9 | (0) | — | — |

Notes: 1. The balance sheet amounts of assets held in trust included in trading securities and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.
2. Figures above do not include cash, deposits and call loans held within assets held in trust that are included in trading securities.

## (7) Fair Value Information of Securities (With Fair Value, Other Than Trading Securities)

(100 Million Yen)

| | As of March 31, 2016 | | | | | As of March 31, 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | Fair value | Net gains/ losses | Gains | Losses | Book value | Fair value | Net gains/ losses | Gains | Losses |
| Policy-reserve-matching bonds | 205,613 | 250,527 | 44,914 | 44,914 | (0) | 206,738 | 232,924 | 26,185 | 26,189 | (4) |
| Held-to-maturity debt securities | — | — | — | — | — | — | — | — | — | — |
| Investments in subsidiaries and affiliates | 77 | 669 | 592 | 592 | — | 77 | 374 | 297 | 297 | — |
| Available-for-sale securities: | 226,222 | 291,383 | 65,161 | 67,305 | (2,143) | 193,376 | 277,227 | 83,850 | 84,192 | (342) |
| Domestic bonds | 29,911 | 32,596 | 2,684 | 2,696 | (11) | 23,553 | 25,123 | 1,569 | 1,577 | (8) |
| Domestic stocks | 39,710 | 76,277 | 36,567 | 38,098 | (1,531) | 39,445 | 89,364 | 49,919 | 50,152 | (233) |
| Foreign securities: | 136,128 | 160,169 | 24,040 | 24,536 | (496) | 118,896 | 150,095 | 31,198 | 31,295 | (96) |
| Foreign bonds | 114,806 | 133,533 | 18,727 | 19,032 | (304) | 97,520 | 120,054 | 22,534 | 22,550 | (16) |
| Foreign stocks and other securities | 21,322 | 26,636 | 5,313 | 5,504 | (191) | 21,376 | 30,041 | 8,664 | 8,744 | (79) |
| Other securities | 12,913 | 14,781 | 1,867 | 1,972 | (104) | 8,062 | 9,224 | 1,162 | 1,167 | (4) |
| Monetary receivables purchased | 254 | 255 | 1 | 1 | (0) | 388 | 388 | 0 | 0 | (0) |
| Negotiable certificates of deposit | 7,303 | 7,302 | (0) | 0 | (0) | 3,030 | 3,029 | (0) | 0 | (0) |
| Total | 431,912 | 542,580 | 110,667 | 112,812 | (2,144) | 400,192 | 510,526 | 110,333 | 110,680 | (347) |
| Domestic bonds | 230,863 | 278,029 | 47,166 | 47,177 | (11) | 224,975 | 252,330 | 27,354 | 27,366 | (11) |
| Domestic stocks | 39,710 | 76,277 | 36,567 | 38,098 | (1,531) | 39,445 | 89,364 | 49,919 | 50,152 | (233) |
| Foreign securities: | 136,923 | 161,591 | 24,667 | 25,163 | (496) | 119,692 | 151,229 | 31,537 | 31,633 | (96) |
| Foreign bonds | 115,523 | 134,285 | 18,761 | 19,066 | (304) | 98,238 | 120,813 | 22,574 | 22,591 | (16) |
| Foreign stocks and other securities | 21,399 | 27,305 | 5,905 | 6,096 | (191) | 21,453 | 30,415 | 8,962 | 9,041 | (79) |
| Other securities | 12,913 | 14,781 | 1,867 | 1,972 | (104) | 8,062 | 9,224 | 1,162 | 1,167 | (4) |
| Monetary receivables purchased | 4,198 | 4,597 | 399 | 399 | (0) | 4,987 | 5,347 | 359 | 360 | (0) |
| Negotiable certificates of deposit | 7,303 | 7,302 | (0) | 0 | (0) | 3,030 | 3,029 | (0) | 0 | (0) |

Note: The above table includes securities that are deemed appropriate as securities under the Financial Instruments and Exchange Act in Japan.

[Book Value of Securities without Fair Value]

(100 Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Policy-reserve-matching bonds | — | — |
| Held-to-maturity debt securities: | — | — |
| Unlisted foreign bonds | — | — |
| Others | — | — |
| Investments in subsidiaries and affiliates | 6,920 | 2,928 |
| Available-for-sale securities: | 8,637 | 8,997 |
| Unlisted domestic stocks (excluding over-the-counter stocks) | 1,047 | 1,010 |
| Unlisted foreign stocks (excluding over-the-counter stocks) | 5,257 | 5,874 |
| Unlisted foreign bonds | — | — |
| Others | 2,333 | 2,113 |
| Total | 15,558 | 11,926 |

Note: Of securities without fair value, the net gains (losses) on currency valuation of assets denominated in foreign currencies were as follows: ¥37.4 billion and ¥82.1 billion as of March 31, 2016 and 2015, respectively.

## (8) Fair Value Information of Assets Held in Trust

(100 Million Yen)

| | As of March 31, 2016 | | | | | As of March 31, 2015 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Balance sheet amount | Fair Value | Net gains/losses | | | Balance sheet amount | Fair Value | Net gains/losses | | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Assets held in trust | 19 | 19 | — | — | — | — | — | — | — | — |

Notes: 1. Fair value is based on a reasonably calculated price by the trustee of the assets held in trust.
2. The balance sheet amount includes net gains/losses on derivative transactions within assets held in trust.

- Assets Held in Trust for Investment

(100 Million Yen)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Balance sheet amount | Valuation gains (losses) included in profit and loss | Balance sheet amount | Valuation gains (losses) included in profit and loss |
| Assets held in trust for investment | 19 | (0) | — | — |

Note: The balance sheet amounts and valuation gains (losses) included in profit and loss include net gains/losses on derivative transactions.

- Assets Held in Trust Classified as Policy-Reserve-Matching, Held-to-Maturity, and Others
  No ending balance as of March 31, 2016 or 2015.

## 4. Policies in Force by Type of Benefits as of March 31, 2016

| | | Individual insurance | | Individual annuities | | Group insurance | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | | Number of policies (thousands) | Amount (100 million yen) | Number of policies (thousands) | Amount (100 million yen) | Number of policies (thousands) | Amount (100 million yen) | Number of policies (thousands) | Amount (100 million yen) |
| Death protection | General | 22,906 | 1,445,700 | — | — | 26,489 | 932,747 | 49,396 | 2,378,447 |
| | Disaster | 3,496 | 185,641 | 115 | 2,056 | 2,806 | 32,618 | 6,418 | 220,317 |
| | Others | 184 | 2,203 | — | — | 69 | 1,221 | 254 | 3,425 |
| Pure endowment | | 217 | 5,462 | 3,525 | 218,107 | 9 | 152 | 3,752 | 223,722 |
| Hospitalization coverage | Disaster | 6,823 | 437 | 285 | 12 | 1,385 | 14 | 8,494 | 464 |
| | Illness | 6,810 | 436 | 283 | 12 | — | — | 7,093 | 448 |
| | Others | 7,090 | 482 | 63 | 2 | 59 | 0 | 7,213 | 485 |
| Disability coverage | | 7,199 | — | 70 | — | 2,520 | — | 9,789 | — |
| Surgical coverage | | 10,282 | — | 283 | — | — | — | 10,566 | — |

| | Group annuities | | Workers' asset-formation insurance/annuities | | Total | |
|---|---|---|---|---|---|---|
| | Number of policies (thousands) | Amount (100 million yen) | Number of policies (thousands) | Amount (100 million yen) | Number of policies (thousands) | Amount (100 million yen) |
| Pure endowment | 10,397 | 123,757 | 189 | 4,523 | 10,586 | 128,280 |

| | Medical care insurance | |
|---|---|---|
| | Number of policies (thousands) | Amount (100 million yen) |
| Hospitalization coverage | 877 | 35 |

| | Disability income insurance | |
|---|---|---|
| | Number of policies (thousands) | Amount (100 million yen) |
| Disability income coverage | 258 | 245 |

Notes:
1. The number of policies for "Group insurance," "Group annuities," "Workers' asset-formation insurance/annuities," "Medical care insurance" (group type), and "Disability income insurance" represents the number of insureds.
2. The amount in "Pure endowment" for "Individual annuities," "Group insurance" (annuity riders), and "Workers' asset-formation annuities" (excluding workers' asset-formation savings annuities) represents the total of (a) annuity resources at the start of the annuities for policies bound prior to the start of the annuity payments and (b) policy reserves for policies bound after the start of the annuity payments. The amount in "Pure endowment" for "Group annuities," "Workers' asset-formation insurance," and workers' asset-formation savings annuities represents the amount of corresponding policy reserves.
3. The amount in "Hospitalization coverage" represents the amount of daily hospitalization benefits.
4. The amount in "Hospitalization coverage" of medical care insurance represents the amount related to hospitalization from illness.
5. The amount in disability income insurance represents the amount of monthly disability benefit payments.
6. The number of insureds and amount of policies for reinsurance written were 37,000 people and ¥60.4 billion, respectively.

## 5. Nonconsolidated Balance Sheets

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Assets: | | |
| Cash and deposits: | 953,962 | 492,198 |
| Cash | 288 | 268 |
| Deposits | 953,673 | 491,930 |
| Call loans | 120,000 | 572,600 |
| Monetary receivables purchased | 419,915 | 498,758 |
| Assets held in trust | 1,934 | — |
| Investments in securities: | 51,297,396 | 49,839,240 |
| National government bonds | 20,101,494 | 18,760,470 |
| Local government bonds | 1,284,844 | 1,441,843 |
| Corporate bonds | 2,490,960 | 2,783,481 |
| Domestic stocks | 8,285,950 | 9,311,147 |
| Foreign securities | 17,477,392 | 16,450,680 |
| Other securities | 1,656,754 | 1,091,615 |
| Loans: | 8,121,484 | 8,357,620 |
| Policy loans | 695,878 | 736,564 |
| Industrial and consumer loans | 7,425,606 | 7,621,055 |
| Tangible fixed assets: | 1,694,878 | 1,713,248 |
| Land | 1,152,488 | 1,173,623 |
| Buildings | 500,025 | 514,952 |
| Lease assets | 6,209 | 5,007 |
| Construction in progress | 25,446 | 7,985 |
| Other tangible fixed assets | 10,708 | 11,679 |
| Intangible fixed assets: | 169,515 | 170,395 |
| Software | 77,577 | 78,574 |
| Other intangible fixed assets | 91,938 | 91,821 |
| Reinsurance receivables | 496 | 445 |
| Other assets: | 637,272 | 606,397 |
| Accounts receivable | 84,478 | 130,753 |
| Prepaid expenses | 10,484 | 9,412 |
| Accrued income | 266,865 | 265,437 |
| Money on deposit | 35,979 | 36,753 |
| Deposits for futures transactions | 9,099 | 8,849 |
| Futures transactions variation margin | 112 | 135 |
| Derivative financial instruments | 186,240 | 140,355 |
| Suspense | 33,751 | 4,845 |
| Other assets | 10,258 | 9,852 |
| Customers’ liability for acceptances and guarantees | 40,503 | 38,686 |
| Allowance for doubtful accounts | (3,524) | (6,585) |
| Total assets | 63,453,836 | 62,283,004 |

## 5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Liabilities: | | |
| Policy reserves and other reserves: | 52,767,560 | 50,436,716 |
| Reserve for outstanding claims | 316,631 | 197,929 |
| Policy reserves | 51,435,915 | 49,201,314 |
| Reserve for dividends to policyholders | 1,015,013 | 1,037,472 |
| Reinsurance payables | 572 | 523 |
| Corporate bonds | 650,825 | 399,590 |
| Other liabilities: | 1,627,269 | 1,451,427 |
| Cash received as collateral under securities lending transactions | 661,819 | 529,989 |
| Loans payable | 25,057 | 10,649 |
| Income taxes payable | 16,841 | 78,462 |
| Accounts payable | 268,239 | 149,740 |
| Accrued expenses | 68,056 | 63,134 |
| Deferred income | 22,601 | 23,217 |
| Deposits received | 100,038 | 99,396 |
| Guarantee deposits received | 83,662 | 84,777 |
| Futures transactions variation margin | 368 | 22 |
| Derivative financial instruments | 255,165 | 355,637 |
| Cash collateral received for financial instruments | 100,406 | 33,074 |
| Lease obligations | 6,257 | 5,512 |
| Asset retirement obligations | 2,322 | 1,966 |
| Suspense receipts | 16,325 | 15,773 |
| Other liabilities | 105 | 73 |
| Accrued bonuses for directors and audit and supervisory board members | 87 | 74 |
| Accrued retirement benefits | 358,762 | 365,302 |
| Accrued retirement benefits for directors and audit and supervisory board members | 4,391 | 4,274 |
| Reserve for program points | 9,420 | 13,171 |
| Reserve for price fluctuations in investments in securities | 947,384 | 778,723 |
| Deferred tax liabilities | 644,586 | 1,231,729 |
| Deferred tax liabilities for land revaluation | 109,383 | 115,440 |
| Acceptances and guarantees | 40,503 | 38,686 |
| Total liabilities | 57,160,746 | 54,835,660 |

## 5. Nonconsolidated Balance Sheets (Continued)

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Net assets: | | |
| Foundation funds | 200,000 | 200,000 |
| Reserve for redemption of foundation funds | 1,100,000 | 1,050,000 |
| Reserve for revaluation | 651 | 651 |
| Surplus: | 479,830 | 499,954 |
| Legal reserve for deficiencies | 15,163 | 14,208 |
| Other surplus reserves: | 464,667 | 485,746 |
| Equalized reserve for dividends to policyholders | 50,000 | 50,000 |
| Contingency funds | 71,917 | 71,917 |
| Reserve for social public welfare assistance | 305 | 282 |
| Reserve for reduction entry of real estate | 50,187 | 45,882 |
| Reserve for reduction entry of real estate to be purchased | — | 34 |
| Other reserves | 170 | 170 |
| Unappropriated surplus | 292,087 | 317,459 |
| Total foundation funds and others | 1,780,481 | 1,750,605 |
| Net unrealized gains on available–for–sale securities, net of tax | 4,722,733 | 6,016,469 |
| Deferred losses on derivatives under hedge accounting, net of tax | (123,923) | (231,060) |
| Land revaluation losses | (86,202) | (88,670) |
| Total valuations, conversions, and others | 4,512,608 | 5,696,737 |
| Total net assets | 6,293,089 | 7,447,343 |
| Total liabilities and net assets | 63,453,836 | 62,283,004 |

## Basis of Presenting the Nonconsolidated Balance Sheet as of March 31, 2016

1. (1) Securities (including items such as deposits and monetary receivables purchased which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ* Statement No. 10) and securities within assets held in trust) are valued as follows:

    1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost of sales.

    2) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).

    3) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line) in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA**.

    4) Investments in subsidiaries and affiliates (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act excluding subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are valued at cost using the moving average method.

    5) Available-for-sale securities
        a. Regarding securities with a fair value, stocks (including foreign stocks) are valued by using the average fair value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving average method). Other securities with a fair value are valued by using the fair value on the balance sheet date (cost of sales is calculated by using the moving average method).
        b. Regarding securities of which the fair value is extremely difficult to be determined, and public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are valued at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are valued at cost using the moving average method.

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* ASBJ: The Accounting Standards Board of Japan
** JICPA: Japanese Institute of Certified Public Accountants

(2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the sub-groups (classified by insurance type, remaining period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.

4. (1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings
Straight-line method.

(ii) Assets other than the above
Declining-balance method.
Certain other tangible fixed assets with an acquisition price of less than ¥200,000 are depreciated over a 3 year period on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases where ownership is transferred
The same depreciation method applied to fixed assets owned by the Company.

(ii) Lease assets related to financial leases where ownership is not transferred
Straight-line method based on lease period.

(2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
Foreign currency-denominated available-for-sale securities of the Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.

6. (1) An allowance for doubtful accounts is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

1) An allowance for loans from borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the

amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (3) below).

2) An allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

3) An allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥1,036 million (including ¥124 million of credits secured and/or guaranteed) as of March 31, 2016.

7. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

8. (1) Accrued retirement benefits are recognized based on the estimated amount of projected benefit obligations in excess of the fair value of pension plan assets for future severance payments to employees on the balance sheet date of the current fiscal year.

(2) The accounting methods used for retirement benefit obligations and benefit costs are as follows:

1) Attribution method for estimated retirement benefits: Benefit formula basis
2) Period of amortizing actuarial (gains) losses: 5 years
3) Period of amortizing prior service costs: 5 years

9. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

11. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. Financial leases where ownership is not transferred are capitalized based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13).

13. Hedge accounting is applied based on the following method:

    1) The Company mainly applies the following hedge accounting methods: The exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA; deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for stock forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

    2) Hedging instruments and hedging methods

| (Hedging instruments) | (Hedging methods) |
|---|---|
| Interest rate swaps | Loans, foreign currency-denominated loans, insurance policies |
| Currency swaps | Foreign currency-denominated bonds, foreign currency-denominated loans, foreign currency-denominated subordinated corporate bonds |
| Foreign exchange forward contracts | Foreign currency-denominated bonds and other instruments, foreign currency-denominated stocks |
| Stock forward contracts | Domestic stocks |

    3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company’s internal risk management policies.

14. Consumption taxes and local consumption taxes are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid

expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

15. Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for a portion of the individual annuity policyholders.
    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other contracts are computed based on the net level premium method.

16. Regarding the investment of general accounts (except separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company has built a portfolio geared towards mid- to long-term investment and formulated an investment plan considering the outlook of the investment environment.
    Based on this, in order to reliably pay benefits and other payments in the future, the Company has positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the Company's core assets, and from the viewpoint of improving profit in the mid- to long-term, the Company invests in stocks and foreign securities. Also, from the viewpoint of effective investment, the Company mainly uses derivative transactions for controlling asset investment risks. Specifically, the Company uses interest rate swaps for the Company's interest rate related investments, foreign exchange forward contracts, and currency options and swaps for the Company's currency related investments, and hedge accounting is applied with respect to a portion thereof.
    The Company mainly applies the following hedge accounting methods: The exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA; deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for stock forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks. The effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

Securities are mainly exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to the risk of incurring losses when the fair value of investment assets declines due to such factors as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of the party to whom credit has been extended. It includes country risk.These risks are managed according to rules and regulations regarding investment risks.
To manage market risk, the Company has implemented investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company monitors and regularly reports on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a system to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the Company's portfolio, the Company uses a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and conducts appropriate asset allocation within acceptable boundaries of risk.
To manage credit risk, the Company has built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company also continues to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns the Company obtains are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company calculates credit value-at-risk as a measurement of the magnitude of credit risk across the Company's portfolio as a whole and monitors whether the magnitude of risk stays within an appropriate range.

17. (1) Balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

| | Balance sheet amount (*1) | Fair value (*2) | Difference |
|---|---|---|---|
| Cash and deposits (negotiable certificates of deposit): | 730,296 | 730,296 | — |
| Available-for-sale securities | 730,296 | 730,296 | — |
| Monetary receivables purchased: | 419,915 | 459,737 | 39,822 |
| Policy-reserve-matching bonds | 394,343 | 434,166 | 39,822 |
| Available-for-sale securities | 25,571 | 25,571 | — |
| Assets held in trust: | 1,934 | 1,934 | — |
| Trading securities | 1,934 | 1,934 | — |
| Securities: | 49,720,820 | 54,231,642 | 4,510,822 |
| Trading securities | 1,163,644 | 1,163,644 | — |
| Policy-reserve-matching bonds | 20,166,986 | 24,618,594 | 4,451,607 |
| Investments in subsidiaries and affiliates | 7,711 | 66,925 | 59,214 |
| Available-for-sale securities | 28,382,478 | 28,382,478 | — |
| Loans (*3): | 8,119,085 | 8,499,268 | 380,182 |
| Policy loans | 695,710 | 695,710 | — |
| Industrial and consumer loans | 7,423,374 | 7,803,557 | 380,182 |
| Derivative financial instruments (*4): | (68,924) | (68,924) | — |
| Hedge accounting not applied | (5,129) | (5,129) | — |
| Hedge accounting applied | (63,794) | (63,794) | — |
| Corporate bonds (*3,*5) | (650,825) | (694,144) | (43,319) |
| Cash received as collateral under securities lending transactions (*5) | (661,819) | (661,819) | — |

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2016, the fair value is the balance sheet amount after the impairment losses are deducted.

(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (*"Tokurei-shori"*) or currency swaps under designated hedge accounting ("*Furiate-shori*") are included in the fair values of loans and corporate bonds because they are accounted for as an integral part of the loans and corporate bonds that are the hedged items.

(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for major financial instruments are as follows:

1) Securities, deposits, and monetary receivables purchased treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured mainly by discounting future cash flows to the present value.

2) Loans

a. Policy loans

Fair value is deemed to approximate book value, due to expected repayment periods, interest rate requirements, and other characteristics. These loans have no repayment date either in form or in substance because stated due dates can be extended if the loan amount is within a certain range of its surrender benefit. Thus, the book value is used as the fair value of the policy loans.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans.

Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

b. Fair value of stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

c. Fair value of foreign exchange contracts and currency options is measured based on theoretical values calculated by the Company using Telegraphic Transfer Middle rates (TTM) and discount rates obtained from financial institutions that are the counterparties in such transactions.

d. Fair value of interest rate swaps and currency swaps is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

e. Fair value of forward contracts is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value on the balance sheet date.

6) Cash received as collateral under securities lending transactions

The book value is used as fair value due to their short-term settlement.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items without fair value are not included in securities in table (1).
Balance sheet amounts by holding purpose were ¥692,045 million for stocks of subsidiaries and affiliates, and ¥884,530 million for available-for-sale securities as of March 31, 2016.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of March 31, 2016.
Valuation gains (losses) included in profit and loss were gains of ¥60,459 million for securities related to separate accounts for the current fiscal year.

2) Held-to-maturity debt securities

No ending balance as of March 31, 2016.

3) Policy-reserve-matching bonds

Balance sheet amounts, fair values, and their differences by type are as follows:

(Million Yen)

| | Type | Balance sheet amount | Fair value | Difference |
|---|---|---|---|---|
| Fair value exceeds the balance sheet amount | Monetary receivables purchased | 393,073 | 432,939 | 39,865 |
| | Domestic bonds | 20,088,505 | 24,536,637 | 4,448,132 |
| | Foreign securities | 71,717 | 75,196 | 3,478 |
| | Subtotal | 20,553,296 | 25,044,772 | 4,491,476 |
| Fair value does not exceed the balance sheet amount | Monetary receivables purchased | 1,270 | 1,227 | (42) |
| | Domestic bonds | 6,691 | 6,688 | (3) |
| | Foreign securities | 72 | 72 | (0) |
| | Subtotal | 8,034 | 7,988 | (46) |
| Total | | 20,561,330 | 25,052,761 | 4,491,430 |

4) Available-for-sale securities

Acquisition cost or amortized cost, balance sheet amounts, and their differences by type are as follows:

(Million Yen)

| | Type | Acquisition cost or amortized cost | Balance sheet amount | Difference |
|---|---|---|---|---|
| Balance sheet amount exceeds acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 435,300 | 435,300 | 0 |
| | Monetary receivables purchased | 2,800 | 2,910 | 109 |
| | Domestic bonds | 2,956,078 | 3,225,730 | 269,652 |
| | Domestic stocks | 3,195,109 | 7,004,981 | 3,809,871 |
| | Foreign securities | 12,142,241 | 14,595,873 | 2,453,632 |
| | Other securities | 927,801 | 1,125,046 | 197,244 |
| | Subtotal | 19,659,331 | 26,389,841 | 6,730,510 |
| Balance sheet amount does not exceed acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 295,000 | 294,996 | (3) |
| | Monetary receivables purchased | 22,663 | 22,661 | (2) |
| | Domestic bonds | 35,096 | 33,928 | (1,168) |
| | Domestic stocks | 775,903 | 622,773 | (153,129) |
| | Foreign securities | 1,470,650 | 1,421,049 | (49,600) |
| | Other securities | 363,557 | 353,093 | (10,463) |
| | Subtotal | 2,962,871 | 2,748,504 | (214,367) |
| Total | | 22,622,202 | 29,138,346 | 6,516,143 |

* Securities totaling ¥884,530 million, whose fair value is extremely difficult to determine are not included.

¥20,872 million in impairment losses was recognized for securities with a fair value during the fiscal year ended March 31, 2016.

Regarding stocks (including foreign stocks) with fair value, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the month preceding the final day of the fiscal year, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the month preceding the final day of the fiscal year is substantial, impairment losses are recognized based on the fair value on the final day of the fiscal year.

The criteria by which the fair value of a stock is deemed to have declined significantly is as follows:

a. A security for which the ratio of the average fair value in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

1. Average fair value in the month preceding the final day of the fiscal year is between 50% and 70% of its acquisition cost.

2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the main monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

| | 1 year or under | Over 1 year under 5 years | Over 5 years under 10 years | Over 10 years |
|---|---|---|---|---|
| Cash and deposits (negotiable certificates of deposit): | 730,300 | — | — | — |
| Available-for-sale securities | 730,300 | — | — | — |
| Monetary receivables purchased: | 22,906 | 5,574 | 48,916 | 341,881 |
| Policy-reserve-matching bonds | 906 | 5,226 | 48,603 | 339,081 |
| Available-for-sale securities | 22,000 | 347 | 313 | 2,800 |
| Securities: | 1,270,229 | 4,647,137 | 7,506,881 | 24,212,185 |
| Policy-reserve-matching bonds | 735,737 | 1,484,954 | 3,644,856 | 14,177,081 |
| Available-for-sale securities | 534,491 | 3,162,182 | 3,862,025 | 10,035,103 |
| Loans | 893,864 | 2,826,287 | 1,892,944 | 1,806,345 |
| Corporate bonds | — | — | — | 650,825 |
| Cash received as collateral under securities lending transactions | 661,819 | — | — | — |

* Assets such as policy loans, which do not have a stated maturity date, are not included.
Also, ¥5,427 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy is not included.

18. The balance sheet amount for investment and rental properties was ¥1,179,406 million, with a fair value of ¥1,314,932 million as of March 31, 2016.
The Company owns rental office buildings and commercial facilities, the fair value of which as of March 31, 2016 was the amount measured based mainly on the "Real Estate Appraisal Standards."
The amount corresponding to asset retirement obligations that were included in the balance sheet amounts of investment and rental properties was ¥644 million as of March 31, 2016.

19. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, which were included in loans, was ¥34,827 million As of March 31, 2016.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,969 million and ¥28,828 million, respectively, as of March 31, 2016.
Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is

not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

2) There were no loans delinquent for over three months as of March 31, 2016.

Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥4,029 million as of March 31, 2016.

Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥843 million and ¥192 million, respectively, as of March 31, 2016.

20. The amount of accumulated depreciation of tangible fixed assets was ¥1,164,872 million as of March 31, 2016.

21. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,377,955 million as of March 31, 2016, and a corresponding liability is recorded in the same amount.

22. The total amount of credits and debits to subsidiaries and affiliates as of March 31, 2016, were ¥107,868 million and ¥4,773 million, respectively.

23. Changes in the reserve for dividends to policyholders included in policy reserves for the fiscal year ended March 31, 2016, were as follows:

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Balance at the beginning of the current fiscal year | ¥1,037,472 |
| b. | Transfer to reserve from surplus in the previous fiscal year | ¥257,299 |
| c. | Dividends to policyholders paid out during the current fiscal year | ¥302,799 |
| d. | Increase in interest | ¥23,041 |
| e. | Balance at the end of the current fiscal year (a+b-c+d) | ¥1,015,013 |

24. Corporate bonds with liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

| Issue date | Callable date |
|---|---|
| October 2012 | Each interest payment date on or after October 2022 |
| October 2014 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |
| April 2015 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |
| January 2016 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |

On April 27, 2016, the Company issued corporate bonds as follows:

1) JPY-denominated subordinated and unsecured corporate bonds due 2046 with interest deferral options (the corporate bonds were first issued to qualified institutional investors and a small number of investors in domestic securities markets)

| | |
|---|---|
| Issue price | 100% of principal amount |
| Principal amount | ¥70.0 billion |
| Interest rate | A fixed rate of 0.94% per annum before April 27, 2026, and a fixed rate with step-up thereafter (reset every 5 years). |
| Maturity | April 27, 2046 (The corporate bonds are callable on April 27, 2026, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.) |
| Collateral and guarantees | The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them. |
| Use of funds | General working capital |

2) JPY-denominated subordinated and unsecured corporate bonds due 2051 with interest deferral options (the corporate bonds were first issued to qualified institutional investors and a small number of investors in domestic securities markets)

| | |
|---|---|
| Issue price | 100% of principal amount |
| Principal amount | ¥30.0 billion |
| Interest rate | A fixed rate of 1.12% per annum before April 27, 2031, and a fixed rate with step-up thereafter (reset every 5 years). |
| Maturity | April 27, 2051 (The corporate bonds are callable on April 27, 2031, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.) |
| Collateral and guarantees | The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them. |
| Use of funds | General working capital |

25. Assets pledged as collateral in the form of securities, land, and buildings as of March 31, 2016, were ¥1,141,231 million, ¥252 million, and ¥51 million, respectively. The total amount of loans covered by the aforementioned assets was ¥661,932 million as of March 31, 2016.
    These amounts included ¥538,627 million of securities deposited and ¥661,924 million of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2016.

26. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2016.

27. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act for the fiscal year ended March 31, 2016.

28. The total amount of stocks and investments in subsidiaries and affiliates was ¥699,757 million as of March 31, 2016.
Matters concerning the sale and acquisition of shares of subsidiaries and affiliates are as follows:

(1) Mitsui Life Insurance Company Limited
Subsequent to March 31, 2016, the Company entered into a share transfer agreement concerning the outstanding ordinary shares of Mitsui Life Insurance Company Limited, a consolidated subsidiary of the Company, with Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mitsui Sumitomo Insurance Co., Ltd., Mitsui & Co., Ltd., Mitsui Fudosan Co., Ltd. and 14 other Mitsui group companies, and sold a total of 17.4% of the outstanding ordinary shares of Mitsui Life to these Mitsui group companies.

(2) MLC Limited
On October 27, 2015, the Company entered an agreement with National Australia Bank ("NAB") to commence procedures for acquiring 80% of the shares of the life insurance business of MLC Limited, a subsidiary of NAB. The Company plans to acquire the shares between September 2016 and December 2016. The acquisition cost of the shares is expected to be approximately A$2,400 million. The Company has applied deferred hedge accounting on the foreign exchange forward contracts to hedge the exposures related to foreign exchange rate fluctuations on a certain portion of the acquisition cost.

29. The amount of securities lent under lending agreements was ¥1,246,128 million as of March 31, 2016.

30. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥78,662 million at fair value as of March 31, 2016.

31. The amount of commitments related to loans and loans outstanding was ¥185,322 million as of March 31, 2016.

32. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company was estimated to be ¥85,754 million as of March 31, 2016.
The amount contributed to the aforementioned corporation was recorded within operating expenses for the fiscal year.

33. Information relating to retirement benefits is as follows:
(1) Summary of retirement benefit plans
In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non-sales personnel and sales management personnel, etc.
In terms of defined contribution plans, the Company has a defined contribution pension plan.

The Company has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan.

(2) Defined benefit plan

1) Reconciliation of retirement benefit obligations at the beginning and end of the fiscal year

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Retirement benefit obligations at the beginning of the year | ¥680,261 |
| b. | Service costs | ¥25,910 |
| c. | Interest cost | ¥4,081 |
| d. | Actuarial losses accrued during the year | ¥1,092 |
| e. | Retirement benefit payments | ¥(45,930) |
| f. | Retirement benefit obligations at the end of the year (a+b+c+d+e) | ¥665,416 |

2) Reconciliation of pension plan assets at the beginning and end of the fiscal year

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Pension plan assets at the beginning of the year | ¥272,288 |
| b. | Expected return on plan assets | ¥4,356 |
| c. | Actuarial gains accrued during the year | ¥708 |
| d. | Contributions by business proprietor | ¥7,632 |
| e. | Retirement benefit payments | ¥(17,287) |
| f. | Pension plan assets at the end of the year (a+b+c+d+e) | ¥267,698 |

3) Reconciliation of retirement benefit obligations, pension plan assets, and accrued retirement benefits on the nonconsolidated balance sheet

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Retirement benefit obligations for funded plans | ¥303,256 |
| b. | Pension plan assets | ¥(267,698) |
| | | ¥35,558 |
| c. | Retirement benefit obligations for non-funded plans | ¥362,159 |
| d. | Unrecognized actuarial losses | ¥(38,954) |
| e. | Accrued retirement benefits (a+b+c+d) | ¥358,762 |

4) Losses (gains) relating to retirement benefits

| | | Million Yen<br>Year ended<br>March 31, 2016 |
|---|---|---|
| a. | Service costs | ¥25,910 |
| b. | Interest cost | ¥4,081 |
| c. | Expected return on plan assets | ¥(4,356) |
| d. | Amortization of actuarial losses for the period | ¥8,467 |
| e. | Amortization of prior service costs for the period | ¥(4,368) |
| f. | Benefit cost for defined benefit plans (a+b+c+d+e) | ¥29,735 |

5) Pension plan assets consist of the following:

| | | |
|---|---|---|
| a. | General account of Nippon Life | 52.3% |
| b. | Domestic bonds | 26.3% |
| c. | Foreign securities | 17.2% |
| d. | Domestic stocks | 2.1% |
| e. | Cash and deposits | 2.0% |
| f. | Total (a+b+c+d+e) | 100.0% |

6) Calculation method for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on pension plan assets, the Company takes into consideration the present and forecasted allocation of the pension plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the pension plan assets.

7) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations as of March 31, 2016 are as follows:

| | | |
|---|---|---|
| a. | Discount rate | 0.6% |
| b. | Long-term expected rate of return on plan assets | 1.6% |

(3) Defined contribution plans

The Company contributed ¥2,119 million to defined contribution plans during the fiscal year ended March 31, 2016.

34. (1) Total deferred tax assets were ¥1,266,576 million and total deferred tax liabilities were ¥1,863,984 million as of March 31, 2016. Among deferred tax assets, the deduction for the valuation allowance was ¥47,177 million. The major components resulting in deferred tax assets were policy reserves and other

reserves of ¥763,273 million, reserve for price fluctuations in investments in securities of ¥265,635 million, accrued retirement benefits of ¥100,256 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,808,376 million.

(2) The statutory tax rate was 28.8% for the fiscal year ended March 31, 2016. The main factors for the difference between the statutory tax rate and the effective income tax rate were a decrease of 18.4% due to the amount of reserve for dividends to policyholders and an impact of 9.4% from a change in the tax rates.

(3) In conjunction with the enactment of the “Act for Partial Revision to the Income Tax Act” (Act No. 15 of 2016), the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities was changed from 28.8% to 28.2% for collections and payments expected to be made in the period from April 1, 2016 to March 31, 2018, and to 27.9% for collections and payments expected to be made on or after April 1, 2018.
As a result of this change, deferred tax liabilities at the end of the period decreased by ¥23,274 million and deferred tax liabilities for land revaluation decreased by ¥3,528 million, while net unrealized gains on available-for-sale securities, net of tax increased by ¥58,521 million and land revaluation losses increased by ¥3,528 million. At the same time, income taxes – deferred increased by ¥33,771 million.

35. Revaluation of land used in the operations is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between the book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

| | |
|---|---|
| Revaluation Date | March 31, 2002 |
| Revaluation Methodology | The amount is calculated by using the land listed value and road rate as prescribed by Article 2, Items 1 and 4, respectively, of the Order for Enforcement of the Act on Revaluation of Land. |

36. The amount of policy reserves provided for the portion of reinsurance (hereafter referred to as "policy reserves for ceded reinsurance") as defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act was ¥215 million as of March 31, 2016.

37. The amount per Article 30, Paragraph 2 of the Ordinance for Enforcement of the Insurance Business Act was ¥4,599,461 million as of March 31, 2016.

## 6. Nonconsolidated Statements of Income

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Ordinary income: | 7,744,877 | 7,293,695 |
| Revenues from insurance and reinsurance: | 6,080,915 | 5,337,118 |
| Insurance premiums | 6,079,922 | 5,336,204 |
| Reinsurance revenue | 993 | 913 |
| Investment income: | 1,500,162 | 1,773,951 |
| Interest, dividends, and other income: | 1,396,181 | 1,371,789 |
| Interest on deposits and savings | 251 | 276 |
| Interest on securities and dividends | 1,144,694 | 1,113,858 |
| Interest on loans | 153,346 | 161,231 |
| Real estate rental income | 85,682 | 82,716 |
| Other income | 12,206 | 13,706 |
| Gain from assets held in trust, net | — | 4 |
| Gain on sales of securities | 94,194 | 242,024 |
| Gain on redemptions of securities | 7,104 | 5,023 |
| Reversal of allowance for doubtful accounts | 2,230 | 431 |
| Other investment income | 452 | 489 |
| Gain from separate accounts, net | — | 154,187 |
| Other ordinary income: | 163,799 | 182,625 |
| Income from annuity riders | 10,297 | 7,329 |
| Income from deferred benefits | 118,134 | 126,913 |
| Reversal of reserve for outstanding claims | — | 1,652 |
| Other ordinary income | 35,367 | 46,729 |

## 6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Ordinary expenses: | 7,207,367 | 6,686,454 |
| Benefits and other payments: | 3,749,890 | 3,932,183 |
| Death and other claims | 966,870 | 1,022,096 |
| Annuity payments | 826,229 | 839,921 |
| Health and other benefits | 702,169 | 721,112 |
| Surrender benefits | 847,635 | 959,865 |
| Other refunds | 405,400 | 387,696 |
| Reinsurance premiums | 1,585 | 1,491 |
| Provision for policy reserves: | 2,376,344 | 1,709,420 |
| Provision for reserve for outstanding claims | 118,701 | — |
| Provision for policy reserves | 2,234,601 | 1,685,817 |
| Provision for interest on reserve for dividends to policyholders | 23,041 | 23,602 |
| Investment expenses: | 216,646 | 140,994 |
| Interest expenses | 14,477 | 9,876 |
| Loss from assets held in trust, net | 65 | — |
| Loss on sales of securities | 13,596 | 18,357 |
| Loss on valuation of securities | 35,783 | 3,258 |
| Loss on redemptions of securities | 23,947 | 21,595 |
| Loss on derivative financial instruments, net | 55,888 | 46,342 |
| Foreign exchange losses, net | 91 | 417 |
| Write-offs of loans | 21 | 0 |
| Depreciation of rental real estate and other assets | 15,649 | 15,307 |
| Other investment expenses | 25,935 | 25,839 |
| Loss from separate accounts, net | 31,190 | — |
| Operating expenses | 574,672 | 563,371 |
| Other ordinary expenses: | 289,814 | 340,484 |
| Deferred benefit payments | 178,733 | 232,820 |
| Taxes | 47,323 | 44,508 |
| Depreciation | 45,566 | 46,455 |
| Other ordinary expenses | 18,191 | 16,700 |

## 6. Nonconsolidated Statements of Income (Continued)

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Ordinary profit | 537,509 | 607,241 |
| Extraordinary gains: | 8,608 | 4,025 |
| Gain on disposals of fixed assets | 8,608 | 4,025 |
| Extraordinary losses: | 186,317 | 181,855 |
| Loss on disposals of fixed assets | 9,887 | 3,423 |
| Impairment losses | 4,791 | 19,908 |
| Provision for reserve for price fluctuations in investments in securities | 168,661 | 155,411 |
| Loss on reduction entry of real estate | — | 136 |
| Contributions for assisting social public welfare | 2,977 | 2,977 |
| Surplus before income taxes | 359,800 | 429,411 |
| Income taxes — current | 113,646 | 167,465 |
| Income taxes — deferred | (41,895) | (41,811) |
| Total income taxes | 71,750 | 125,653 |
| Net surplus | 288,049 | 303,758 |

## Notes to the Nonconsolidated Statement of Income for the Fiscal Year Ended March 31, 2016

1. The total income and expenses from transactions with subsidiaries and affiliates is ¥17,168 million and ¥33,135 million, respectively, for the fiscal year ended March 31, 2016.

2. Gain on sales of securities includes gains on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥12,616 million, ¥75,975 million, and ¥5,602 million, respectively, for the fiscal year ended March 31, 2016.

3. Loss on sales of securities includes losses on sales of domestic bonds, including national government bonds, domestic stocks, and foreign securities of ¥612 million, ¥656 million, and ¥12,318 million, respectively, for the fiscal year ended March 31, 2016.

4. Loss on valuation of securities includes losses on the valuation of domestic stocks and foreign securities of ¥14,640 million and ¥20,937 million, respectively, for the fiscal year ended March 31, 2016.

5. Provision for policy reserves for ceded reinsurance that was deducted from the calculation of provision for policy reserves was ¥22 million for the fiscal year ended March 31, 2016.

6. (1) Loss from assets held in trust, net includes net valuation losses of ¥65 million for the fiscal year ended March 31, 2016.
   (2) Loss on derivative financial instruments, net includes net valuation losses of ¥8,050 million for the fiscal year ended March 31, 2016.

7. Impairment losses are as follows:
   1) Method for grouping the assets
   Leased property and idle property are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

   2) Circumstances causing impairment losses
   The Company observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount and impairment losses were recognized as extraordinary losses for the fiscal year ended March 31, 2016.

3) Breakdown of asset groups that recognized impairment losses for the fiscal year ended March 31, 2016, is as follows:

| | Million Yen | | |
|---|---|---|---|
| Purpose of use | Land | Buildings | Total |
| Leased property | ¥1,013 | ¥439 | ¥1,452 |
| Idle property | ¥1,237 | ¥2,100 | ¥3,338 |
| Total | ¥2,251 | ¥2,540 | ¥4,791 |

4) Calculation method of recoverable amount

The recoverable amount used for the measurement of impairment losses is based on the net realizable value upon sales of the assets or the discounted future cash flows.

The discount rate used in the calculation of future cash flows is 4.0%. Net realizable values are determined based on appraisals performed in accordance with the “Real Estate Appraisal Standards” or posted land prices.

## 7. Nonconsolidated Statements of Changes in Net Assets

Year Ended March 31, 2015

(Million Yen)

| | Foundation funds and others | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Surplus | | | | | | | | | |
| | | | | | Other surplus reserves | | | | | | | | |
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Legal reserve for deficiencies | Equalized reserve for dividends to policyholders | Contin-gency funds | Reserve for social public welfare assistance | Reserve for reduction entry of real estate | Reserve for reduction entry of real estate to be purchased | Other reserves | Unappro-priated surplus | Total surplus | Total foundation funds and others |
| Beginning balance | 250,000 | 1,000,000 | 651 | 13,270 | — | 71,917 | 259 | 42,693 | 33 | 170 | 311,679 | 440,022 | 1,690,674 |
| Increase/decrease: | | | | | | | | | | | | | |
| Additions to reserve for dividends to policyholders | | | | | | | | | | | (201,765) | (201,765) | (201,765) |
| Additions to legal reserve for deficiencies | | | | 938 | | | | | | | (938) | — | — |
| Additions to reserve for redemption of foundation funds | | 50,000 | | | | | | | | | (50,000) | (50,000) | — |
| Interest on foundation funds | | | | | | | | | | | (2,785) | (2,785) | (2,785) |
| Net surplus | | | | | | | | | | | 303,758 | 303,758 | 303,758 |
| Redemption of foundation funds | (50,000) | | | | | | | | | | | | (50,000) |
| Additions to equalized reserve for dividends to policyholders | | | | | 50,000 | | | | | | (50,000) | — | — |
| Additions to reserve for social public welfare assistance | | | | | | | 3,000 | | | | (3,000) | — | — |
| Reversal of reserve for social public welfare assistance | | | | | | | (2,977) | | | | 2,977 | — | — |
| Additions to reserve for reduction entry of real estate | | | | | | | | 3,866 | | | (3,866) | — | — |
| Reversal of reserve for reduction entry of real estate | | | | | | | | (677) | | | 677 | — | — |
| Additions to reserve for reduction entry of real estate to be purchased | | | | | | | | | 1 | | (1) | — | — |
| Reversal of land revaluation losses | | | | | | | | | | | 10,724 | 10,724 | 10,724 |
| Net change, excluding foundation funds and others | | | | | | | | | | | | | |
| Net change | (50,000) | 50,000 | — | 938 | 50,000 | — | 23 | 3,189 | 1 | — | 5,780 | 59,931 | 59,931 |
| Ending balance | 200,000 | 1,050,000 | 651 | 14,208 | 50,000 | 71,917 | 282 | 45,882 | 34 | 170 | 317,459 | 499,954 | 1,750,605 |

## 7. Nonconsolidated Statements of Changes in Net Assets (Continued)

Year Ended March 31, 2015

(Million Yen)

| | Valuations, conversions, and others | | | | Total net assets |
|---|---|---|---|---|---|
| | Net unrealized gains on available-for-sale securities, net of tax | Deferred losses on derivatives under hedge accounting, net of tax | Land revaluation losses | Total valuations, conversions, and others | |
| Beginning balance | 3,256,652 | (134,156) | (85,561) | 3,036,934 | 4,727,608 |
| Increase/decrease: | | | | | |
| Additions to reserve for dividends to policyholders | | | | | (201,765) |
| Additions to legal reserve for deficiencies | | | | | — |
| Additions to reserve for redemption of foundation funds | | | | | — |
| Interest on foundation funds | | | | | (2,785) |
| Net surplus | | | | | 303,758 |
| Redemption of foundation funds | | | | | (50,000) |
| Additions to equalized reserve for dividends to policyholders | | | | | — |
| Additions to reserve for social public welfare assistance | | | | | — |
| Reversal of reserve for social public welfare assistance | | | | | — |
| Additions to reserve for reduction entry of real estate | | | | | — |
| Reversal of reserve for reduction entry of real estate | | | | | — |
| Additions to reserve for reduction entry of real estate to be purchased | | | | | — |
| Reversal of land revaluation losses | | | | | 10,724 |
| Net change, excluding foundation funds and others | 2,759,816 | (96,904) | (3,108) | 2,659,803 | 2,659,803 |
| Net change | 2,759,816 | (96,904) | (3,108) | 2,659,803 | 2,719,735 |
| Ending balance | 6,016,469 | (231,060) | (88,670) | 5,696,737 | 7,447,343 |

## 7. Nonconsolidated Statements of Changes in Net Assets (Continued)

Year Ended March 31, 2016

(Million Yen)

| | Foundation funds and others | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Surplus | | | | | | | | | |
| | | | | | Other surplus reserves | | | | | | | | |
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Legal reserve for deficiencies | Equalized reserve for dividends to policyholders | Contin-gency funds | Reserve for social public welfare assistance | Reserve for reduction entry of real estate | Reserve for reduction entry of real estate to be purchased | Other reserves | Unappro-priated surplus | Total surplus | Total foundation funds and others |
| Beginning balance | 200,000 | 1,050,000 | 651 | 14,208 | 50,000 | 71,917 | 282 | 45,882 | 34 | 170 | 317,459 | 499,954 | 1,750,605 |
| Increase/decrease: | | | | | | | | | | | | | |
| Issuance of foundation funds | 50,000 | | | | | | | | | | | | 50,000 |
| Additions to reserve for dividends to policyholders | | | | | | | | | | | (257,299) | (257,299) | (257,299) |
| Additions to legal reserve for deficiencies | | | | 955 | | | | | | | (955) | — | — |
| Additions to reserve for redemption of foundation funds | | 50,000 | | | | | | | | | (50,000) | (50,000) | — |
| Interest on foundation funds | | | | | | | | | | | (1,935) | (1,935) | (1,935) |
| Net surplus | | | | | | | | | | | 288,049 | 288,049 | 288,049 |
| Redemption of foundation funds | (50,000) | | | | | | | | | | | | (50,000) |
| Additions to reserve for social public welfare assistance | | | | | | | 3,000 | | | | (3,000) | — | — |
| Reversal of reserve for social public welfare assistance | | | | | | | (2,977) | | | | 2,977 | — | — |
| Additions to reserve for reduction entry of real estate | | | | | | | | 4,906 | | | (4,906) | — | — |
| Reversal of reserve for reduction entry of real estate | | | | | | | | (601) | | | 601 | — | — |
| Reversal of reserve for reduction entry of real estate to be purchased | | | | | | | | | (34) | | 34 | — | — |
| Reversal of land revaluation losses | | | | | | | | | | | 1,060 | 1,060 | 1,060 |
| Net change, excluding foundation funds and others | | | | | | | | | | | | | |
| Net change | — | 50,000 | — | 955 | — | — | 23 | 4,304 | (34) | — | (25,372) | (20,124) | 29,875 |
| Ending balance | 200,000 | 1,100,000 | 651 | 15,163 | 50,000 | 71,917 | 305 | 50,187 | — | 170 | 292,087 | 479,830 | 1,780,481 |

## 7. Nonconsolidated Statements of Changes in Net Assets (Continued)

Year Ended March 31, 2016

(Million Yen)

| | Valuations, conversions, and others | | | | Total net assets |
|---|---|---|---|---|---|
| | Net unrealized gains on available-for-sale securities, net of tax | Deferred losses on derivatives under hedge accounting, net of tax | Land revaluation losses | Total valuations, conversions, and others | |
| Beginning balance | 6,016,469 | (231,060) | (88,670) | 5,696,737 | 7,447,343 |
| Increase/decrease: | | | | | |
| Issuance of foundation funds | | | | | 50,000 |
| Additions to reserve for dividends to policyholders | | | | | (257,299) |
| Additions to legal reserve for deficiencies | | | | | — |
| Additions to reserve for redemption of foundation funds | | | | | — |
| Interest on foundation funds | | | | | (1,935) |
| Net surplus | | | | | 288,049 |
| Redemption of foundation funds | | | | | (50,000) |
| Additions to reserve for social public welfare assistance | | | | | — |
| Reversal of reserve for social public welfare assistance | | | | | — |
| Additions to reserve for reduction entry of real estate | | | | | — |
| Reversal of reserve for reduction entry of real estate | | | | | — |
| Reversal of reserve for reduction entry of real estate to be purchased | | | | | — |
| Reversal of land revaluation losses | | | | | 1,060 |
| Net change, excluding foundation funds and others | (1,293,735) | 107,137 | 2,468 | (1,184,129) | (1,184,129) |
| Net change | (1,293,735) | 107,137 | 2,468 | (1,184,129) | (1,154,253) |
| Ending balance | 4,722,733 | (123,923) | (86,202) | 4,512,608 | 6,293,089 |

## 8. Details of Ordinary Profit (Core Operating Profit)

(Million Yen)

| | | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|---|
| Core operating profit (A) | | 698,134 | 679,090 |
| Capital gains: | | 94,194 | 242,029 |
| | Gain on proprietary trading securities | — | — |
| | Gain from assets held in trust, net | — | 4 |
| | Gain on trading securities | — | — |
| | Gain on sales of securities | 94,194 | 242,024 |
| | Gain on derivative financial instruments, net | — | — |
| | Foreign exchange gains, net | — | — |
| | Other capital gains | — | — |
| Capital losses: | | 105,929 | 68,376 |
| | Loss on proprietary trading securities | — | — |
| | Loss from assets held in trust, net | 65 | — |
| | Loss on trading securities | — | — |
| | Loss on sales of securities | 13,596 | 18,357 |
| | Loss on valuation of securities | 35,783 | 3,258 |
| | Loss on derivative financial instruments, net | 55,888 | 46,342 |
| | Foreign exchange losses, net | 91 | 417 |
| | Other capital losses | 505 | — |
| Net capital (losses) gains (B) | | (11,734) | 173,652 |
| Core operating profit, including net capital (losses) gains (A+B) | | 686,399 | 852,743 |
| Nonrecurring gains: | | 1,474 | — |
| | Reinsurance revenue | — | — |
| | Reversal of contingency reserve | — | — |
| | Reversal of specific allowance for doubtful accounts | 1,474 | — |
| | Other nonrecurring gains | — | — |
| Nonrecurring losses: | | 150,363 | 245,501 |
| | Reinsurance premiums | — | — |
| | Provision for contingency reserve | 150,342 | 244,488 |
| | Provision for specific allowance for doubtful accounts | — | 1,012 |
| | Provision for allowance for specific overseas debts | — | — |
| | Write-offs of loans | 21 | 0 |
| | Other nonrecurring losses | — | — |
| Net nonrecurring losses (C) | | (148,889 ) | (245,501) |
| Ordinary profit (A+B+C) | | 537,509 | 607,241 |

Note: During the fiscal year ended March 31, 2016, the Company recorded the amount of foreign exchange gains and losses related to foreign currency-denominated insurance products as ¥505 million in core operating profit and ¥505 million in other capital losses.

## 9. Nonconsolidated Proposed Appropriations of Surplus

(Thousands Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Unappropriated surplus for the current year | 292,087,372 | 317,459,726 |
| Reversal from other surplus reserve: | 606,072 | 635,726 |
| Reversal of reserve for reduction entry of real estate | 606,072 | 601,326 |
| Reversal of reserve for reduction entry of real estate to be purchased | — | 34,400 |
| Total | 292,693,444 | 318,095,453 |
| Appropriations: | 292,693,444 | 318,095,453 |
| Reserve for dividends to policyholders | 229,857,885 | 257,299,416 |
| Net surplus: | 62,835,559 | 60,796,036 |
| Additions to legal reserve for deficiencies | 879,000 | 955,000 |
| Additions to reserve for redemption of foundation funds | 50,000,000 | 50,000,000 |
| Interest on foundation funds | 1,698,000 | 1,935,000 |
| Transfer to other surplus reserve: | 10,258,559 | 7,906,036 |
| Reserve for social public welfare assistance | 3,000,000 | 3,000,000 |
| Reserve for reduction entry of real estate | 1,614,659 | 4,906,036 |
| Reserve for reduction entry of real estate to be purchased | 5,643,900 | — |
| Surplus carried forward | — | — |

## 10. Status of Nonperforming Assets According to Borrower's Classification

(Million Yen, %)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Bankrupt and quasi-bankrupt loans | 10,370 | 10,598 |
| Doubtful loans | 20,436 | 23,610 |
| Substandard loans | 4,029 | 4,107 |
| Subtotal | 34,836 | 38,316 |
| [Percent of total, %] | [0.37] | [0.35] |
| Normal loans | 9,405,636 | 11,000,199 |
| Total | 9,440,473 | 11,038,516 |

Notes: 1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.

2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the contract because of difficulties in the financial condition and business performance of the debtor who has not yet entered into bankruptcy.

3. Substandard loans include loans that are delinquent for over three months or restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement (excluding 1. and 2. in the above notes). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers (excluding 1. and 2. in the above notes and loans that are delinquent for over three months).

4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the above notes and where the debtor has no financial or business performance problems.

Supplemental information for borrower's classification

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer's liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2016 and 2015, were ¥1,036 million and ¥501 million, respectively.

## 11. Status of Risk-Monitored Loans

(Million Yen, %)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Loans to bankrupt borrowers | 1,969 | 2,179 |
| Delinquent loans | 28,828 | 32,009 |
| Loans that are delinquent for over three months | — | — |
| Restructured loans | 4,029 | 4,107 |
| Total | 34,827 | 38,297 |
| [Percent of total loans, %] | [0.43] | [0.46] |

Notes: 1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), the estimated uncollectible amount (calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥843 million and ¥192 million, respectively, as of March 31, 2016, and ¥277 million and ¥224 million, respectively, as of March 31, 2015.

2. Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued, including the following: (a) loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) loans to borrowers that have notes suspended from being traded, and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.

3. Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include loans to bankrupt borrowers and delinquent loans.

5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers (excluding loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months from above).
6. Interest that is not accrued for loans of borrowers who are deemed to be bankrupt, quasi-bankrupt, or doubtful based on the results of asset self-assessment is not recorded as income.

## 12. Breakdown of Allowance for Doubtful Accounts

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 | Change |
|---|---|---|---|
| (1) Breakdown of allowance for doubtful accounts | | | |
| (A) General allowance for doubtful accounts | 1,751 | 2,507 | (756) |
| (B) Specific allowance for doubtful accounts | 1,773 | 4,078 | (2,305) |
| (C) Allowance for specific overseas debts | — | — | — |
| (2) Specific allowance for doubtful accounts | | | |
| (A) Provision | 2,809 | 4,580 | (1,771) |
| (B) Reversal | 4,283 | 3,567 | 715 |
| [excluding reversals with write-offs] | | | |
| (C) Net provision | (1,474) | 1,012 | (2,486) |
| (3) Allowance for specific overseas debts | | | |
| (A) Number of debtor countries | — | — | — |
| (B) Amounts of credit | — | — | — |
| (C) Provision | — | — | — |
| (D) Reversal | — | — | — |
| (4) Write-offs of loans | 21 | 0 | 20 |

### (Reference)

### Status of Borrower Classification

(100 Million Yen, %)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Money available | Percentage of whole | Money available | Percentage of whole |
| Loan balances (After direct write-offs of category IV) | 81,214 | 100.0 | 83,576 | 100.0 |
| Noncategorized | 80,437 | 99.0 | 82,911 | 99.2 |
| Category II | 767 | 0.9 | 631 | 0.8 |
| Category III | 9 | 0.0 | 33 | 0.0 |
| Category IV | — | — | — | — |

Notes: 1. Specific allowances for doubtful accounts of Category III were as follows: ¥0.7 billion and ¥2.9 billion as of March 31, 2016 and 2015, respectively.
2. The amounts of direct write-offs of Category IV were as follows: ¥1 billion and ¥0.5 billion as of March 31, 2016 and 2015, respectively.

## 13. Solvency Margin Ratio

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Solvency margin gross amount (A): | 12,172,555 | 13,421,043 |
| Foundation funds (*kikin*) and other reserve funds: | 4,164,622 | 3,806,532 |
| Foundation funds and others | 1,548,925 | 1,491,371 |
| Reserve for price fluctuations in investments in securities | 947,384 | 778,723 |
| Contingency reserve | 1,400,590 | 1,250,248 |
| General allowance for doubtful accounts | 1,751 | 2,507 |
| Others | 265,970 | 283,681 |
| Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)× 90% | 5,719,951 | 7,581,433 |
| Net unrealized gains on real estate × 85% | 129,232 | 73,163 |
| Excess of continued Zillmerized reserve | 1,459,759 | 1,509,979 |
| Qualifying subordinated debt | 650,825 | 399,590 |
| Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations | — | — |
| Deduction clause | (357) | (366) |
| Others | 48,522 | 50,711 |
| Total amount of risk (B): $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ | 2,693,788 | 2,883,641 |
| Underwriting risk ($R_1$) | 124,832 | 127,656 |
| Underwriting risk of third-sector insurance ($R_8$) | 76,984 | 75,389 |
| Anticipated yield risk ($R_2$) | 386,141 | 386,107 |
| Minimum guarantee risk ($R_7$) | 5,759 | 5,820 |
| Investment risk ($R_3$) | 2,237,530 | 2,424,023 |
| Business management risk ($R_4$) | 56,624 | 60,379 |
| Solvency margin ratio $\dfrac{(A)}{(1/2) \times (B)} \times 100$ | 903.7% | 930.8% |

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50 of 1996.

2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

3. From March 31, 2016, net unrealized gains/losses on available-for-sale securities, as shown previously, have been reclassified as net unrealized gains/losses on available-for-sale securities (before tax) and deferred gains/losses on derivatives under hedge accounting (before tax). (Figures as of March 31, 2015 are presented based on the previous standard.)

(Reference)

Policy reserve valuation method and ratio for individual insurance and annuities

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Policies subject to the standard policy reserve | Net level premium method | Net level premium method |
| Policies not subject to the standard policy reserve | Net level premium method | Net level premium method |
| Ratio (excluding contingency reserve) | 100.0% | 100.0% |

Notes: 1. Individual insurance and annuities are subject to the valuation method and ratio. Policy reserves for group insurance and annuities are not included in the above figures due to the absence of an accumulation method.

2. Regarding the valuation ratio, policies subject to the standard policy reserve represent the ratio in accordance with the method which the Prime Minister prescribed by means of Ordinance No. 48 issued by the Ministry of Finance in 1996. Policies not subject to the standard policy reserve represent the ratio for the reserve calculated by the net level premium method and unearned premium.

## 14. Status of Separate Accounts for the Fiscal Year Ended March 31, 2016

### (1) Balance of Separate Account Assets

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Individual variable insurance | 113,805 | 131,518 |
| Individual variable annuities | 52,973 | 77,605 |
| Group annuities | 1,211,177 | 904,386 |
| Separate account total | 1,377,955 | 1,113,510 |

### (2) Status of Separate Accounts for Individual Variable Insurance

#### 1) Policies in Force

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Number of policies | Amount of policies (million yen) | Number of policies | Amount of policies (million yen) |
| Variable insurance (defined term type) | 1,627 | 7,735 | 1,724 | 8,382 |
| Variable insurance (whole life type) | 33,983 | 494,469 | 34,665 | 513,177 |
| Total | 35,610 | 502,204 | 36,389 | 521,560 |

#### 2) Breakdown of Separate Account Assets Year—End Balance (Individual Variable Insurance)

(Million Yen, %)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Amount | Composition ratio | Amount | Composition ratio |
| Cash, deposits, and call loans | 7,039 | 6.2 | 4,013 | 3.1 |
| Investments in securities: | 89,384 | 78.5 | 119,486 | 90.9 |
| Domestic bonds | 13,049 | 11.5 | 25,449 | 19.4 |
| Domestic stocks | 37,522 | 33.0 | 51,154 | 38.9 |
| Foreign securities: | 38,812 | 34.1 | 42,882 | 32.6 |
| Foreign bonds | 13,016 | 11.4 | 13,432 | 10.2 |
| Foreign stocks and other securities | 25,796 | 22.7 | 29,449 | 22.4 |
| Other securities | — | — | — | — |
| Loans | — | — | — | — |
| Others | 17,380 | 15.3 | 8,018 | 6.1 |
| Allowance for doubtful accounts | — | — | — | — |
| Total | 113,805 | 100.0 | 131,518 | 100.0 |

3) Investment Income and Expenses from Separate Accounts (Individual Variable Insurance)

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| | Amount | Amount |
| Interest, dividends, and other income | 2,139 | 2,228 |
| Gain on sales of securities | 8,556 | 10,153 |
| Gain on redemptions of securities | — | 0 |
| Gain on valuation of securities | (11,528) | 9,477 |
| Foreign exchange gains, net | — | 85 |
| Gain on derivative financial instruments, net | — | 1,631 |
| Other investment income | 19 | 15 |
| Loss on sales of securities | 2,398 | 1,499 |
| Loss on redemptions of securities | — | 0 |
| Loss on valuation of securities | 3,473 | (213) |
| Foreign exchange losses, net | 102 | — |
| Loss on derivative financial instruments, net | 688 | — |
| Other investment expenses | 3 | 3 |
| Net investment income | (7,479) | 22,301 |

(3) Status of Separate Accounts for Individual Variable Annuities

1) Policies in Force

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Number of policies | Amount of policies (million yen) | Number of policies | Amount of policies (million yen) |
| Individual variable annuities | 7,501 | 52,972 | 10,443 | 77,604 |

2) Breakdown of Separate Account Assets Year-End Balance (Individual Variable Annuities)

(Million Yen, %)

| | As of March 31, 2016 | | As of March 31, 2015 | |
|---|---|---|---|---|
| | Amount | Composition ratio | Amount | Composition ratio |
| Cash, deposits, and call loans | — | — | — | — |
| Investments in securities: | 51,114 | 96.5 | 75,228 | 96.9 |
| Domestic bonds | 12,853 | 24.3 | 13,859 | 17.9 |
| Domestic stocks | — | — | — | — |
| Foreign securities: | — | — | — | — |
| Foreign bonds | — | — | — | — |
| Foreign stocks and other securities | — | — | — | — |
| Other securities | 38,261 | 72.2 | 61,368 | 79.1 |
| Loans | — | — | — | — |
| Others | 1,858 | 3.5 | 2,376 | 3.1 |
| Allowance for doubtful accounts | — | — | — | — |
| Total | 52,973 | 100.0 | 77,605 | 100.0 |

### 3) Investment Income and Expenses from Separate Accounts (Individual Variable Annuities)

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| | Amount | Amount |
| Interest, dividends, and other income | 7,176 | 8,600 |
| Gain on sales of securities | 455 | 789 |
| Gain on redemptions of securities | — | — |
| Gain on valuation of securities | (8,150) | 3,270 |
| Foreign exchange gains, net | — | — |
| Gain on derivative financial instruments, net | — | — |
| Other investment income | 0 | 0 |
| Loss on sales of securities | 0 | 2 |
| Loss on redemptions of securities | — | — |
| Loss on valuation of securities | — | (28) |
| Foreign exchange losses, net | — | — |
| Loss on derivative financial instruments, net | — | — |
| Other investment expenses | 0 | 0 |
| Net investment income | (519) | 12,688 |

## 15. Status of the Company, Subsidiaries, and Affiliates

### (1) Selected Financial Data for Major Operations

(100 Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Ordinary income | 80,575 | 74,100 |
| Ordinary profit | 5,613 | 6,186 |
| Net surplus attributable to the Parent Company | 4,034 | 3,080 |
| Comprehensive (loss) income | (8,097) | 29,586 |

Note: From the fiscal year ended March 31, 2016, “net surplus (net loss)” has been presented as “net surplus (net loss) attributable to the Parent Company.”

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Total assets | 706,079 | 626,486 |
| Solvency margin ratio | 922.7% | 943.1% |

### (2) Scope of Consolidation and Application of the Equity Method

| | As of March 31, 2016 |
|---|---|
| Number of consolidated subsidiaries | 10 |
| Number of subsidiaries not consolidated but accounted for under the equity method | 0 |
| Number of affiliates accounted for under the equity method | 10 |
| Changes in significant subsidiaries and affiliates during the period | Additions: 7 NLI US Investments, Inc.<br>Mitsui Life Insurance Company Limited<br>PanAgora Asset Management, Inc.<br>Reliance Capital Asset Management Limited<br>Post Advisory Group, LLC<br>PT Sequis<br>PT Asuransi Jiwa Sequis Life<br><br>Removals: 1 Nissay Computer Co., Ltd. |

### (3) Policies of Presenting the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2016

1) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and the Company’s subsidiaries. Consolidated subsidiaries as of March 31, 2016, are listed as follows:

Nissay Credit Guarantee Co., Ltd. (Japan)
Nissay Leasing Co., Ltd. (Japan)
Nissay Capital Co., Ltd. (Japan)
Nissay Asset Management Corporation (Japan)
Nissay Information Technology Co., Ltd. (Japan)
Mitsui Life Insurance Company Limited (Japan)
Nippon Life Insurance Company of America (U.S.A.)
NLI Commercial Mortgage Fund, LLC (U.S.A.)

NLI Commercial Mortgage Fund II, LLC (U.S.A.)
NLI US Investments, Inc. (U.S.A.)

Nissay Computer Co., Ltd. has been removed from the scope of consolidation as it was merged with the Company's subsidiary Nissay Information Technology Co., Ltd.
NLI US Investments, Inc. has become more significant to the Company and has therefore been included within the scope of consolidation from the fiscal year ended March 31, 2016.
Mitsui Life Insurance Company Limited has been included within the scope of consolidation for the fiscal year ended March 31, 2016 due to acquisition by the Company.
The major subsidiaries excluded from consolidation are Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and Nissay Card Service Co., Ltd.
The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the fiscal year ended March 31, 2016, are immaterial. This exclusion from consolidation does not prevent a reasonable assessment of the consolidated financial position of the Company and the Company's subsidiaries and the result of their operations.

2) Affiliates
Affiliates accounted for under the equity method as of March 31, 2016, are listed as follows:

The Master Trust Bank of Japan, Ltd. (Japan)
Corporate-Pension Business Service Co., Ltd. (Japan)
PanAgora Asset Management, Inc. (U.S.A.)
Nissay-Greatwall Life Insurance Co., Ltd. (China)
Bangkok Life Assurance Public Company Limited (Thailand)
Reliance Life Insurance Company Limited (India)
Reliance Capital Asset Management Limited (India)
Post Advisory Group, LLC (U.S.A.)
PT Sequis (Indonesia)
PT Asuransi Jiwa Sequis Life (Indonesia)

PanAgora Asset Management, Inc., Reliance Capital Asset Management Limited, Post Advisory Group, LLC, PT Sequis, and PT Asuransi Jiwa Sequis Life have become more significant to the Company and have therefore been included within the scope of equity method accounting from the fiscal year ended March 31, 2016.
The subsidiaries not consolidated, e.g., Nippon Life Global Investors Americas, Inc., Nissay Trading Corporation, and others, and affiliates other than those listed above, e.g., SL Towers Co., Ltd. and others, are not accounted for under the equity method. The respective and aggregate effects of such companies on consolidated net income and surplus for the fiscal year ended March 31, 2016, are immaterial.

The numbers of consolidated subsidiaries and affiliates as of March 31, 2016, were as follows:

| | |
|---|---|
| Consolidated subsidiaries | 10 |
| Subsidiaries not consolidated but accounted for under the equity method | 0 |
| Affiliates accounted for under the equity method | 10 |

3) Closing dates of consolidated subsidiaries

The closing date of consolidated overseas subsidiaries is December 31. The consolidated financial statements are prepared using data as of the closing date, and necessary adjustments are made to reflect significant transactions that occurred between the closing date and the consolidated balance sheet date.

4) Amortization of goodwill

Goodwill and the equivalent amount of goodwill from affiliates accounted for under the equity method are amortized under the straight-line method over 20 years.

However, for items that are immaterial, the total amount of goodwill is fully amortized as incurred.

## (4) Consolidated Balance Sheets

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Assets: | | |
| Cash and deposits | 1,351,597 | 529,509 |
| Call loans | 120,000 | 572,600 |
| Monetary receivables purchased | 436,630 | 498,758 |
| Assets held in trust | 2,134 | — |
| Investments in securities | 56,100,232 | 49,898,791 |
| Loans | 9,456,217 | 8,333,838 |
| Tangible fixed assets: | 1,923,519 | 1,725,822 |
| Land | 1,299,727 | 1,173,623 |
| Buildings | 568,138 | 515,505 |
| Lease assets | 5,410 | 4,010 |
| Construction in progress | 25,448 | 7,985 |
| Other tangible fixed assets | 24,794 | 24,697 |
| Intangible fixed assets: | 177,404 | 167,618 |
| Software | 81,688 | 75,432 |
| Lease assets | 9 | 13 |
| Other intangible fixed assets | 95,706 | 92,171 |
| Reinsurance receivables | 856 | 636 |
| Other assets | 1,003,987 | 890,988 |
| Deferred tax assets | 4,918 | 4,648 |
| Customers’ liability for acceptances and guarantees | 36,110 | 33,801 |
| Allowance for doubtful accounts | (5,668) | (8,372) |
| Total assets | 70,607,941 | 62,648,641 |

## (4) Consolidated Balance Sheets (Continued)

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Liabilities: | | |
| Policy reserves and other reserves: | 58,929,002 | 50,442,520 |
| Reserve for outstanding claims | 353,480 | 202,171 |
| Policy reserves | 57,490,828 | 49,202,876 |
| Reserve for dividends to policyholders (mutual company) | 1,015,013 | 1,037,472 |
| Reserve for dividends to policyholders (limited company) | 69,681 | — |
| Reinsurance payables | 761 | 557 |
| Corporate bonds | 650,825 | 399,590 |
| Other liabilities | 2,291,459 | 1,707,220 |
| Accrued bonuses for directors and audit and supervisory board members | 87 | 74 |
| Net defined benefit liability | 460,449 | 411,416 |
| Accrued retirement benefits for directors and audit and supervisory board members | 5,208 | 4,397 |
| Reserve for program points | 9,420 | 13,171 |
| Reserve for price fluctuations in investments in securities | 963,730 | 778,723 |
| Deferred tax liabilities | 697,450 | 1,223,642 |
| Deferred tax liabilities for land revaluation | 109,383 | 115,440 |
| Acceptances and guarantees | 36,110 | 33,801 |
| Total liabilities | 64,153,887 | 55,130,557 |
| Net assets: | | |
| Foundation funds | 200,000 | 200,000 |
| Reserve for redemption of foundation funds | 1,100,000 | 1,050,000 |
| Reserve for revaluation | 651 | 651 |
| Consolidated surplus | 630,790 | 541,573 |
| Total foundation funds and others | 1,931,441 | 1,792,225 |
| Net unrealized gains on available-for-sale securities, net of tax | 4,721,039 | 6,023,903 |
| Deferred losses on derivatives under hedge accounting, net of tax | (123,921) | (231,060) |
| Land revaluation losses | (86,202) | (88,670) |
| Foreign currency translation adjustments | 24,893 | 36,330 |
| Remeasurement of defined benefit plans | (29,637) | (30,381) |
| Total accumulated other comprehensive income | 4,506,171 | 5,710,121 |
| Non-controlling interests | 16,440 | 15,736 |
| Total net assets | 6,454,053 | 7,518,084 |
| Total liabilities and net assets | 70,607,941 | 62,648,641 |

## Basis of Presenting the Consolidated Balance Sheet as of March 31, 2016

1. (1) Securities of the Company and certain consolidated subsidiaries (including items such as deposits and monetary receivables purchased, which are treated as securities based on the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) and securities within assets held in trust) are valued as follows:

   1) Trading securities are stated at fair value on the balance sheet date. The moving average method is used for calculating cost of sales.

   2) Held-to-maturity debt securities are valued using the moving average method, net of accumulated amortization (straight-line).

   3) Policy-reserve-matching bonds are valued using the moving average method, net of accumulated amortization (straight-line) in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

   4) Investments in subsidiaries and affiliates that are not consolidated nor accounted for by the equity method (stocks issued by subsidiaries prescribed in Article 2, Paragraph 12 of the Insurance Business Act excluding subsidiaries prescribed in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act and stocks issued by affiliates prescribed in Article 13-5-2, Paragraph 4 of the Order for Enforcement of the Insurance Business Act) are valued at cost using the moving average method.

   5) Available-for-sale securities

      a. Regarding securities with a fair value, stocks (including foreign stocks) are valued by using the average fair value during the period of one month before the balance sheet date (cost of sales is calculated by using the moving average method). Other securities with a fair value are valued by using the fair value on the balance sheet date (cost of sales is calculated by using the moving average method).

      b. Regarding securities of which the fair value is extremely difficult to be determined, and public and corporate bonds (including foreign bonds) for which the difference between the purchase price and face value is due to an interest rate adjustment are valued at cost using the moving average method, net of accumulated amortization (straight-line). Other securities without readily determinable fair values are valued at cost using the moving average method.

(2) Unrealized gains/losses, net of applicable taxes for available-for-sale securities, are recorded as a separate component of net assets.

2. Securities that are held for the purpose of matching the duration of outstanding liabilities within the sub-groups (classified by insurance type, remaining period, and investment policy) of insurance products, such as individual insurance and annuities, workers' asset-formation insurance and annuities, and group insurance and annuities are classified as policy-reserve-matching bonds in accordance with the Industry Audit Committee Report No. 21, "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," issued by the JICPA.

3. Derivative financial instruments and derivative financial instruments within assets held in trust are stated at fair value.

4. (1) Tangible fixed assets are depreciated based on the following methods:

a. Tangible fixed assets (except for lease assets)

(i) Buildings
Straight-line method.

(ii) Assets other than the above
Primarily the declining-balance method.
Certain other tangible fixed assets with an acquisition price of less than ¥200,000 of the Company and certain consolidated subsidiaries are depreciated over a 3 year period on a straight-line basis.

b. Lease assets

(i) Lease assets related to financial leases where ownership is transferred
The same depreciation method applied to self-owned fixed assets.

(ii) Lease assets related to financial leases where ownership is not transferred
Straight-line method based on lease period.

(2) Software, which is included within intangible fixed assets, is amortized using the straight-line method.

5. Assets and liabilities denominated in foreign currencies are translated into Japanese yen using the "Accounting Standards for Foreign Currency Transactions" (Business Accounting Council).
Foreign currency-denominated available-for-sale securities of the Company, with exchange rates which have significantly fluctuated and where recovery is not expected, are converted to Japanese yen using either the rate on the balance sheet date or the average one month rate prior to the balance sheet date, whichever indicates a weaker yen. This translation difference is recorded as a loss on valuation of securities.
Moreover, translation differences related to bonds included in translation differences of foreign currency-denominated available-for-sale securities held by certain consolidated subsidiaries are recorded as

foreign exchange gains/losses, net, while translation differences related to other foreign currency-denominated available-for-sale securities are recorded as a separate component of net assets.

6. (1) An allowance for doubtful accounts of the Company is recognized in accordance with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

   1) An allowance for loans from borrowers who are legally or substantially bankrupt, such as being bankrupt or being in the process of civil rehabilitation proceedings, is recognized based on the amount of credit remaining after directly deducting amounts expected to be collected through the disposal of collateral or the execution of guarantees from the balance of loans (as mentioned at (4) below).

   2) An allowance for loans from borrowers who are not currently legally bankrupt but have a significant possibility of bankruptcy is recognized at the amounts deemed necessary considering an assessment of the borrowers' overall solvency and the amounts remaining after deduction of amounts expected to be collected through the disposal of collateral or the execution of guarantees.

   3) An allowance for loans from borrowers other than the above is provided based on the borrowers' balance multiplied by the historical average (of a certain period) percentage of bad debt.

(2) All credits of the Company are assessed by responsible sections in accordance with the Company's internal Asset Valuation Regulation. The assessments are verified by the independent Asset Auditing Department. The results of the assessments are reflected in the calculation of the allowance for doubtful accounts.

(3) For consolidated subsidiaries, the Company records allowance amounts deemed necessary in accordance mainly with the Company's internal Asset Valuation Regulation and Write-Off/Provision Rule.

(4) The estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the balance of loans (including loans with credits secured and/or guaranteed) made to legally or substantially bankrupt borrowers. The estimated uncollectible amount was ¥1,333 million (including ¥175 million of credits secured and/or guaranteed) as of March 31, 2016.

7. Accrued bonuses for directors and audit and supervisory board members are recognized based on amounts estimated to be paid.

8. (1) Net defined benefit liability is the amount of retirement benefit obligations prepared for payment of employee retirement benefits less pension plan assets, based on the projected amounts as of March 31, 2016.

(2) The accounting methods of the Company and certain consolidated subsidiaries used for retirement benefits are as follows:

1) Attribution method for estimated retirement benefits: Benefit formula basis

2) Period of amortizing actuarial (gains) losses: 5 years

3) Period of amortizing prior service costs: 5 years

9. Accrued retirement benefits for directors and audit and supervisory board members are recognized based on estimated payment amounts under internal rules.

10. A reserve for program points is recognized based on the amount projected to be incurred for expenses from the use of points granted to policyholders.

11. Reserve for price fluctuations in investments in securities is recognized based on Article 115 of the Insurance Business Act.

12. Financial leases where ownership is not transferred are capitalized based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).
Regarding financial leases where the Company or a consolidated subsidiary is the lessor, and ownership is not transferred, if any, the Company recognizes the sales amount and cost of sales at the time of receiving the lease fee.

13. Hedge accounting of the Company is applied based on the following method:
    1) The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment ("*Tokurei-shori*") for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, "Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry" issued by the JICPA; deferred hedge accounting and designated hedge accounting ("*Furiate-shori*") for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company and certain consolidated subsidiaries; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge the price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for stock forward contracts is applied to hedge the price fluctuation exposures on certain domestic stocks.

    2) Hedging instruments and hedging methods

| (Hedging instruments) | (Hedging methods) |
|---|---|

| | |
|---|---|
| Interest rate swaps | Loans, foreign currency-denominated loans, insurance policies |
| Currency swaps | Foreign currency-denominated bonds, foreign currency-denominated loans, foreign currency-denominated subordinated corporate bonds |
| Foreign exchange forward contracts | Foreign currency-denominated bonds and other instruments, foreign currency-denominated stocks |
| Stock forward contracts | Domestic stocks |

3) Effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the Company's internal risk management policies.

14. Consumption taxes and local consumption taxes of the Company and certain consolidated subsidiaries are accounted for by the tax exclusion method. However, consumption taxes paid on certain asset transactions, which are not deductible from consumption taxes withheld and that are stipulated to be deferred under the Consumption Tax Act, are deferred as prepaid expenses and amortized over a 5 year period on a straight-line basis. Consumption taxes other than deferred consumption taxes are expensed as incurred.

15. Policy reserves of the Company and certain consolidated subsidiaries are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology. In accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, policy reserves include those that are reserved for a portion of the individual annuity policyholders.
    1) Reserves for contracts subject to the standard policy reserve are computed in accordance with the method prescribed by the Prime Minister (Ordinance No. 48 issued by the Ministry of Finance in 1996).
    2) Reserves for other contracts are computed based on the net level premium method.

16. From the fiscal year ended March 31, 2016, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), and the "Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)," and other standards. As a result, the Company has changed its accounting policies so that gain or loss resulting from changes in the Company's equity interest in the subsidiaries over which the Company continues to exercise control is recorded as consolidated surplus, and expenses related to acquisitions are recorded as expenses for the fiscal year in which they are incurred. In addition, the method of presentation of net surplus has been changed, along with a change in presentation from minority interests to non-controlling interests.
    In the consolidated statement of cash flows for the fiscal year ended March 31, 2016, the following classification changes have been applied: cash flows relating to acquisitions or sales of shares of subsidiaries that do not result in change in scope of consolidation are classified as "Cash flows from financing activities, " and cash flows relating to expenses for the acquisition of subsidiaries that result in change in scope of

consolidation and expenses for the acquisition or sales of shares of subsidiaries that do not result in change in scope of consolidation are classified as “Cash flows from operating activities.”

In applying the Accounting Standard for Business Combinations and other standards, the Company has adopted the transitional treatments provided in Paragraph 58-2 (4) of the "Accounting Standard for Business Combinations", Paragraph 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements", and Paragraph 57-4 (4) of the "Accounting Standard for Business Divestitures", and applied these treatments prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, ordinary profit and surplus before income taxes for the fiscal year ended March 31, 2016 each decreased by ¥1,075 million.

17. Regarding the investment of the general accounts of the Company and certain consolidated subsidiaries (except separate accounts as provided in Article 118, Paragraph 1 of the Insurance Business Act), in light of the characteristics of life insurance policies, the Company and certain consolidated subsidiaries have built a portfolio geared towards mid- to long-term investment and formulated an investment plan considering the outlook of the investment environment.

    Based on this, in order to reliably pay benefits and other payments in the future, the Company and certain consolidated subsidiaries have positioned yen-denominated assets that can be expected to provide stable income, such as bonds and loans, as the core assets of the Company and certain consolidated subsidiaries and from the viewpoint of improving profit in the mid- to long-term, the Company and certain consolidated subsidiaries invest in stocks and foreign securities. Also, from the viewpoint of effective investment, the Company and certain consolidated subsidiaries mainly use derivative transactions for controlling asset investment risks. Specifically, the Company and certain consolidated subsidiaries use interest rate swaps for the interest rate related investments of the Company and certain consolidated subsidiaries, foreign exchange forward contracts, and currency options and swaps for the currency related investments of the Company and certain consolidated subsidiaries, and hedge accounting is applied with respect to a portion thereof.

    The Company and certain consolidated subsidiaries mainly apply the following hedge accounting methods: The exceptional accounting treatment (“*Tokurei-shori*”) for interest rate swaps is applied to hedge the cash flow volatility of certain loans denominated in Japanese yen and certain loans denominated in foreign currencies; deferred hedge accounting for interest rate swaps is applied to hedge the interest rate fluctuation exposures on certain insurance policies, based on the Industry Audit Committee Report No. 26, “Accounting and Auditing Treatments related to Application of Accounting for Financial Instruments in the Insurance Industry” issued by the JICPA; deferred hedge accounting and designated hedge accounting (“*Furiate-shori*”) for currency swaps are applied to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated bonds, certain foreign currency-denominated loans, and foreign currency-denominated subordinated corporate bonds issued by the Company and certain consolidated subsidiaries; fair value hedge accounting and deferred hedge accounting for foreign exchange forward contracts are applied to hedge price fluctuation exposures related to foreign exchange rate fluctuations on certain foreign currency-denominated bonds and other instruments and certain foreign currency-denominated stocks; and fair value hedge accounting for stock forward contracts is applied to hedge price fluctuation exposures on certain domestic stocks. The

effectiveness of hedging activities is mainly evaluated by performing a ratio analysis of fair value movement comparisons based on the hedging instruments and hedging methods taken, which is in accordance with the internal risk management policies of the Company and certain consolidated subsidiaries.
Securities are mainly exposed to market risk and credit risk, loans are exposed to credit risk, and derivative transactions are exposed to market risk and credit risk. Market risk refers to the risk of incurring losses when the fair value of investment assets declines due to such factors as fluctuations in interest rates, exchange rates, or stock prices. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines due to deterioration of the financial condition of the party to whom credit has been extended. It includes country risk. These risks are managed according to rules and regulations regarding investment risks.
To manage market risk, the Company and certain consolidated subsidiaries have implemented investment limits based on the nature of the assets in order to avoid excessive losses from financing and investment transactions. In addition, the Company and certain consolidated subsidiaries monitor and regularly report on the status of compliance to the Risk Management Committee, the advisory body of the Management Committee, and has developed a system to control risk within acceptable levels in the event of a breach of the internal rules. Also, to control market risk in the portfolio of the Company and certain consolidated subsidiaries, the Company and certain consolidated subsidiaries use a statistical analysis method to rationally calculate the market value-at-risk of the portfolio as a whole and conducts appropriate asset allocation within acceptable boundaries of risk.
To manage credit risk, the Company and certain consolidated subsidiaries have built a thorough monitoring system involving the Assessment Management Department, which is independent of the departments handling investment and finance activities. The Company and certain consolidated subsidiaries also continue to build a sound portfolio through the establishment and monitoring of interest guidelines to ensure the returns the Company and certain consolidated subsidiaries obtain are commensurate with the risk, a system of internal ratings for classifying the creditworthiness of borrowers, and credit ceilings to ensure that credit risk is not excessively concentrated in a particular company, group, or country. In addition, the Company and certain consolidated subsidiaries calculate credit value-at-risk as a measurement of the magnitude of credit risk across the portfolio of the Company and certain consolidated subsidiaries as a whole, and monitors whether the magnitude of risk stays within an appropriate range.

18. (1) Balance sheet amounts and fair values of major financial instruments and their differences are as follows:

(Million Yen)

| | Balance sheet amount (*1) | Fair value (*2) | Difference |
|---|---|---|---|
| Cash and deposits (negotiable certificates of deposit): | 784,296 | 784,296 | — |
| Available-for-sale securities | 784,296 | 784,296 | — |
| Monetary receivables purchased: | 436,630 | 477,324 | 40,693 |
| Held-to-maturity debt securities | 3,942 | 4,813 | 870 |
| Policy-reserve-matching bonds | 394,343 | 434,166 | 39,822 |
| Available-for-sale securities | 38,344 | 38,344 | — |
| Assets held in trust: | 2,134 | 2,134 | — |
| Trading securities | 1,934 | 1,934 | — |
| Available-for-sale securities | 200 | 200 | — |
| Securities: | 54,811,717 | 59,797,975 | 4,986,258 |
| Trading securities | 1,504,252 | 1,504,252 | — |
| Held-to-maturity debt securities | 50,592 | 51,300 | 708 |
| Policy-reserve-matching bonds | 22,117,306 | 27,057,693 | 4,940,386 |
| Investments in subsidiaries and affiliates | 21,762 | 66,925 | 45,163 |
| Available-for-sale securities | 31,117,803 | 31,117,803 | — |
| Loans (*3): | 9,452,673 | 9,855,076 | 402,402 |
| Policy loans | 758,908 | 758,908 | — |
| Industrial and consumer loans | 8,693,765 | 9,096,168 | 402,402 |
| Derivative financial instruments (*4): | (44,934) | (44,934) | — |
| Hedge accounting not applied | 18,856 | 18,856 | — |
| Hedge accounting applied | (63,790) | (63,790) | — |
| Corporate bonds (*3,*5) | (650,825) | (694,144) | (43,319) |
| Cash received as collateral under securities lending transactions (*5) | (834,089) | (834,089) | — |
| Loans payable (*3,*5) | (244,107) | (245,740) | (1,632) |

(*1) For transactions for which an allowance for doubtful accounts was recorded, the amount of the allowance is deducted.

(*2) For securities for which impairment losses were recognized in the fiscal year ended March 31, 2016, the fair value is the balance sheet amount after the impairment losses are deducted.

(*3) The fair values of derivative financial instruments that are interest rate swaps under exceptional accounting treatment (*"Tokurei-shori"*) or currency swaps under designated hedge accounting ("*Furiate-shori*") are included in the fair values of loans, corporate bonds, and loans payable because they are accounted for as an integral part of the loans, corporate bonds, and loans payable that are the hedged items.

(*4) Assets and liabilities generated by derivative financial instruments are offset and presented net. Net liabilities in total are presented in parentheses.

(*5) Corporate bonds and cash received as collateral under securities lending transactions are recorded in liabilities and presented in parentheses.

(2) Fair value measurement methods for the major financial instruments of the Company and certain consolidated subsidiaries are as follows:

1) Securities, deposits, and monetary receivables purchased treated as securities based on the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10)

a. Items with a market price

Fair value is measured based on the closing market price on the balance sheet date. However, the fair values of available-for-sale domestic and foreign equity securities are based on the average market price over a one-month period prior to the balance sheet date.

b. Items without a market price

Fair value is measured mainly by discounting future cash flows to the present value.

2) Loans

a. Policy loans

Fair value is deemed to approximate book value, due to expected repayment periods, interest rate requirements, and other characteristics. These loans have no repayment date either in form or in substance because stated due dates can be extended if the loan amount is within a certain range of its surrender benefit. Thus, the book value is used as the fair value of the policy loans.

b. Industrial and consumer loans

Fair value of variable interest rate loans is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans.

Fair value of fixed interest rate loans is measured mainly by discounting future cash flows to present value.

Loans from legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy are measured by deducting the estimated uncollectable amount from the book value directly prior to the decrease.

3) Derivative financial instruments

a. Fair value of futures and other market transactions is measured by the liquidation value or closing market price on the balance sheet date.

b. Fair value of stock options is measured by the price calculated by the Company based on volatility and other data obtained mainly from external information vendors.

c. Fair value of foreign exchange contracts and currency options is measured based on theoretical values calculated by the Company using TTM and discount rates obtained from financial institutions that are the counterparties in such transactions.

d. Fair value of interest rate swaps and currency swaps is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

e. Fair value of forward contracts is measured based on present values calculated by discounting future cash flows using published market interest rates and other data.

4) Assets held in trust

Fair value is based on a reasonably calculated price by the trustee of the assets held in trust, in accordance with the calculation methods set forth in 1) and 3) above.

5) Corporate bonds

Corporate bonds are stated at fair value on the balance sheet date.

6) Cash received as collateral under securities lending transactions

The book value is used as fair value due to their short-term settlement.

7) Loans payable

Fair value of variable interest rate loans payable is deemed to approximate book value because market interest rates are reflected in future cash flows over the short term. Thus, book value is used as fair value for variable interest rate loans payable. Fair value of fixed interest rate loans payable is measured mainly by discounting future cash flows to present value.

(3) Unlisted equity securities, investments in partnerships whereby partnership assets consist of unlisted equity securities, and other items without fair value are not included in securities in table (1).

Balance sheet amounts by holding purpose were ¥290,247 million for stocks of subsidiaries and affiliates, and ¥998,267 million for available-for-sale securities as of March 31, 2016.

(4) Matters regarding securities and others by holding purpose are as follows:

1) Trading securities

Derivative financial instruments within assets held in trust and investments in securities for separate accounts are classified as trading securities as of March 31, 2016.

Valuation gains (losses) included in profit and loss were gains of ¥38,615 million for securities related to separate accounts for the current fiscal year.

2) Held-to-maturity debt securities

Balance sheet amounts, fair values, and their differences by type are as follows:

(Million Yen)

| | Type | Balance sheet amount | Fair value | Difference |
|---|---|---|---|---|
| Fair value exceeds the balance sheet amount | Monetary receivables purchased | 3,942 | 4,813 | 870 |
| | Domestic bonds | 38,796 | 39,567 | 770 |
| | Foreign securities | 820 | 822 | 2 |
| | Subtotal | 43,558 | 45,203 | 1,644 |
| Fair value does not exceed the balance sheet amount | Foreign securities | 10,975 | 10,910 | (65) |
| Total | | 54,534 | 56,113 | 1,579 |

3) Policy-reserve-matching bonds

Balance sheet amounts, fair values, and their differences by type are as follows: (Million Yen)

| | Type | Balance sheet amount | Fair value | Difference |
|---|---|---|---|---|
| Fair value exceeds the balance sheet amount | Monetary receivables purchased | 393,073 | 432,939 | 39,865 |
| | Domestic bonds | 22,038,824 | 26,975,735 | 4,936,910 |
| | Foreign securities | 71,717 | 75,196 | 3,478 |
| | Subtotal | 22,503,616 | 27,483,871 | 4,980,254 |
| Fair value does not exceed the balance sheet amount | Monetary receivables purchased | 1,270 | 1,227 | (42) |
| | Domestic bonds | 6,691 | 6,688 | (3) |
| | Foreign securities | 72 | 72 | (0) |
| | Subtotal | 8,034 | 7,988 | (46) |
| Total | | 22,511,650 | 27,491,859 | 4,980,208 |

4) Available-for-sale securities

Acquisition cost or amortized cost, balance sheet amounts, and their differences by type are as follows:

(Million Yen)

| | Type | Acquisition cost or amortized cost | Balance sheet amount | Difference |
|---|---|---|---|---|
| Balance sheet amount exceeds acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 435,300 | 435,300 | 0 |
| | Monetary receivables purchased | 14,167 | 15,683 | 1,515 |
| | Domestic bonds | 3,965,914 | 4,271,349 | 305,435 |
| | Domestic stocks | 3,216,667 | 7,028,499 | 3,811,831 |
| | Foreign securities | 12,449,748 | 14,909,025 | 2,459,277 |
| | Other securities | 932,272 | 1,131,464 | 199,192 |
| | Subtotal | 21,014,070 | 27,791,323 | 6,777,253 |
| Balance sheet amount does not exceed acquisition cost or amortized cost | Cash and deposits (negotiable certificates of deposit) | 349,000 | 348,996 | (3) |
| | Monetary receivables purchased | 22,663 | 22,661 | (2) |
| | Assets held in trust | 200 | 200 | — |
| | Domestic bonds | 51,657 | 50,454 | (1,203) |
| | Domestic stocks | 1,132,054 | 922,078 | (209,975) |
| | Foreign securities | 2,497,824 | 2,413,355 | (84,469) |
| | Other securities | 406,896 | 391,574 | (15,321) |
| | Subtotal | 4,460,297 | 4,149,321 | (310,975) |
| Total | | 25,474,367 | 31,940,645 | 6,466,277 |

* Securities totaling ¥998,267 million, whose fair value is extremely difficult to determine are not included.

¥21,826 million in impairment losses was recognized for securities with a fair value during the fiscal year ended March 31, 2016.

Regarding stocks (including foreign stocks) with fair value of the Company and certain consolidated subsidiaries, impairment losses are recognized for stocks whose fair value has declined significantly from the acquisition price based on the average fair value in the month preceding the final day of the fiscal year, in principle. However, in the case of a security that meets certain criteria, such as a security for which the fair value declines substantially and the decline in the fair value in the month preceding the final day of the fiscal year is substantial, impairment losses are recognized based on the fair value on the final day of the fiscal year.

The criteria by which the fair value of a stock is deemed to have declined significantly is as follows:

a. A security for which the ratio of the average fair value in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less.

b. A security that meets both of the following criteria:

1. Average fair value in the month preceding the final day of the fiscal year is between 50% and 70% of its acquisition cost.
2. The historical fair value, the business conditions of the issuing company, and other aspects are subject to certain requirements.

(5) Scheduled repayment amounts for the main monetary claims and liabilities and redemption amounts for securities with maturities are as follows:

(Million Yen)

| | 1 year or under | Over 1 year under 5 years | Over 5 years under 10 years | Over 10 years |
|---|---|---|---|---|
| Cash and deposits (negotiable certificates of deposit): | 784,300 | — | — | — |
| Available-for-sale securities | 784,300 | — | — | — |
| Monetary receivables purchased: | 24,625 | 5,574 | 48,916 | 355,472 |
| Held-to-maturity debt securities | — | — | — | 3,942 |
| Policy-reserve-matching bonds | 906 | 5,226 | 48,603 | 339,081 |
| Available-for-sale securities | 23,718 | 347 | 313 | 12,448 |
| Securities: | 1,411,751 | 5,067,414 | 8,443,005 | 26,676,101 |
| Held-to-maturity debt securities | 12,507 | 33,224 | 1,360 | 3,356 |
| Policy-reserve-matching bonds | 735,737 | 1,508,254 | 3,681,496 | 16,005,141 |
| Available-for-sale securities | 663,506 | 3,525,935 | 4,760,149 | 10,667,603 |
| Loans (*1) | 1,044,471 | 3,215,568 | 2,278,581 | 2,087,892 |
| Corporate bonds | — | — | — | 650,825 |
| Cash received as collateral under securities lending transactions | 834,089 | — | — | — |
| Loans payable (*2) | 27,454 | 47,699 | 18,953 | — |

(*1) Assets such as policy loans, which do not have a stated maturity date, are not included.

Also, ¥8,593 million in loans to legally or substantially bankrupt borrowers or borrowers who are not currently legally bankrupt but have a high probability of bankruptcy is not included.

(*2) Liabilities such as subordinated loans payable, which do not have a stated maturity date, are not included.

19. The balance sheet amount for investment and rental properties was ¥1,179,406 million, with a fair value of ¥1,314,932 million as of March 31, 2016.
The Company and certain consolidated subsidiaries own rental office buildings and commercial facilities, the fair value of which as of March 31, 2016 was the amount measured based mainly on the "Real Estate Appraisal Standards."
The amount corresponding to asset retirement obligations that were included in the balance sheet amounts of investment and rental properties was ¥644 million as of March 31, 2016.

20. (1) The total amount of loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, which were included in loans, was ¥35,039 million as of March 31, 2016.

1) The balances of loans to bankrupt borrowers and delinquent loans were ¥1,978 million and ¥29,031 million, respectively, as of March 31, 2016.
Loans to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.
Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.

2) There were no loans delinquent for over three months as of March 31, 2016.
Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months beginning one day after the due date based on the loan agreement. These loans exclude loans classified as loans to bankrupt borrowers and delinquent loans.

3) The balance of restructured loans was ¥4,029 million as of March 31, 2016.
Restructured loans are loans that provide certain concessions favorable to borrowers with the intent of supporting the borrowers' restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers. These loans exclude loans classified as loans to bankrupt borrowers, delinquent loans, and loans delinquent for over three months.

(2) Direct write-offs of loans decreased the balances of loans to bankrupt borrowers and delinquent loans by ¥867 million and ¥465 million, respectively, as of March 31, 2016.

21. The amount of accumulated depreciation of tangible fixed assets was ¥1,185,661 million as of March 31, 2016.

22. Separate account assets as provided for in Article 118, Paragraph 1 of the Insurance Business Act were ¥1,727,775 million as of March 31, 2016, and a corresponding liability is recorded in the same amount.

23. Changes in the reserve for dividends to policyholders (mutual company) included in policy reserves for the fiscal year ended March 31, 2016, were as follows:

| | Million Yen |
|---|---|
| | Year ended March 31, 2016 |
| a. Balance at the beginning of the current fiscal year | ¥1,037,472 |
| b. Transfer to reserve from surplus in the previous fiscal year | ¥257,299 |
| c. Dividends to policyholders paid out during the current fiscal year | ¥302,799 |
| d. Increase in interest | ¥23,041 |
| e. Balance at the end of the current fiscal year (a+b-c+d) | ¥1,015,013 |

24. Changes in the reserve for dividends to policyholders (limited company) included in policy reserves for fiscal year ended March 31, 2016, were as follows:

| | Million Yen |
|---|---|
| | Year ended March 31, 2016 |
| a. Balance at the beginning of the current fiscal year | — |
| b. Dividends to policyholders paid out during the fiscal year | ¥6,878 |
| c. Increase in interest | ¥8 |
| d. Provision for reserve for dividends to policyholders (limited company) | ¥4,452 |
| e. Increase due to change in scope of consolidation | ¥72,097 |
| f. Balance at the end of the current fiscal year (a-b+c+d+e) | ¥69,681 |

25. Corporate bonds with liabilities are subordinated corporate bonds with special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.

The corporate bonds are callable at the discretion of the Company, subject to the approval of the regulatory authority and other conditions.

| Issue date | Callable date |
|---|---|
| October 2012 | Each interest payment date on or after October 2022 |
| October 2014 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |
| April 2015 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |
| January 2016 | Tenth anniversary date after the issue date and on each fifth anniversary date thereafter |

On April 27, 2016, the Company issued corporate bonds as follows:

1) JPY-denominated subordinated and unsecured corporate bonds due 2046 with interest deferral options (the corporate bonds were first issued to qualified institutional investors and a small number of investors in domestic securities markets)

| | |
|---|---|
| Issue price | 100% of principal amount |
| Principal amount | ¥70.0 billion |
| Interest rate | A fixed rate of 0.94% per annum before April 27, 2026, and a fixed rate with step-up thereafter (reset every 5 years). |
| Maturity | April 27, 2046 (The corporate bonds are callable on April 27, 2026, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.) |
| Collateral and guarantees | The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them. |
| Use of funds | General working capital |

2) JPY-denominated subordinated and unsecured corporate bonds due 2051 with interest deferral options (the corporate bonds were first issued to qualified institutional investors and a small number of investors in domestic securities markets)

| | |
|---|---|
| Issue price | 100% of principal amount |
| Principal amount | ¥30.0 billion |
| Interest rate | A fixed rate of 1.12% per annum before April 27, 2031, and a fixed rate with step-up thereafter (reset every 5 years). |
| Maturity | April 27, 2051 (The corporate bonds are callable on April 27, 2031, and on each fifth anniversary date thereafter at the discretion of the Company, subject to prior approval by the regulatory authority.) |
| Collateral and guarantees | The corporate bonds are not secured or guaranteed, and there are no specific assets pledged for them. |
| Use of funds | General working capital |

26. Other liabilities include subordinated loans payable of ¥150,000 million, which is subordinate to the fulfillment of all other debt obligations.

27. Assets pledged as collateral in the form of securities, lease receivables and investments in lease, land, and buildings as of March 31, 2016, were ¥1,378,644 million, ¥15,015 million, ¥252 million, and ¥51 million, respectively. The total amount of loans covered by the aforementioned assets was ¥847,561 million as of March 31, 2016.
These amounts included ¥674,232 million of securities deposited and ¥834,194 million of cash received as collateral under the securities lending transactions secured by cash as of March 31, 2016.

28. ¥50,000 million of foundation funds were offered pursuant to Article 60 of the Insurance Business Act during the fiscal year ended March 31, 2016.

29. The Company redeemed ¥50,000 million of foundation funds and credited the same amount to reserve for redemption of foundation funds prescribed in Article 56 of the Insurance Business Act for the fiscal year ended March 31, 2016.

30. The total amount of stocks and investments in nonconsolidated subsidiaries and affiliates was ¥312,009 million as of March 31, 2016.

31. Matters concerning business combinations through acquisition are as follows:

(1) Mitsui Life Insurance Company Limited

1) Overview of the business combination

a. Name and business of the acquiree

Name: Mitsui Life Insurance Company Limited (“Mitsui Life”)

Business: Life insurance business

b. Main reasons for executing the business combination

The purpose of the acquisition is as follows:

i. Further strengthen and develop the Company’s competitive sales representative channels through mutual cooperation.

ii. Establish channels and foundations through mutual cooperation to provide appropriate products through the bancassurance and agency areas, on the premise that adequate underwriting systems are established and maintained, in order to meet diversified customer needs in a flexible manner.

iii. In addition to i. and ii. above, mutually cooperate, share knowledge, and leverage synergies to grow as a group.

c. Business combination date

December 31, 2015 (deemed acquisition date)

d. Legal form of the business combination

Share acquisition through tender offer

e. Name of company after business combination

Mitsui Life Insurance Company Limited

f. Percentage of voting rights acquired

100%

The Company and Mitsui Life have agreed that, after Mitsui Life becomes a wholly―owned subsidiary of the Company, 16% of the outstanding ordinary shares of Mitsui Life will be sold to Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, Mitsui Sumitomo Insurance Co., Ltd., Mitsui & Co., Ltd. and Mitsui Fudosan Co., Ltd. (collectively referred to as the “Post―Transaction Shareholders”) and approximately 1% of the outstanding ordinary shares of Mitsui Life are intended to be sold to other Mitsui group companies, in order to preserve and develop business relationships between Mitsui life and Mitsui group companies.

Under the agreement above, subsequent to March 31, 2016, the Company entered into a share transfer agreement concerning the outstanding ordinary shares of Mitsui Life with the Post―Transaction Shareholders and 14 other Mitsui group companies and sold a total of 17.4% of the outstanding ordinary shares of Mitsui Life to these Mitsui group companies.

g. Main rationale for determining the acquirer

The main rationale for the Company being the acquirer is that the Company will clearly control the decision-making body of the acquiree based on majority ownership of voting rights.

2) Period for which the acquiree's business results were included in the consolidated statement of income for the fiscal year ended March 31, 2016

From January 1, 2016 to March 31, 2016

3) Acquisition cost and breakdown

Consideration for acquisition: payment in cash

¥334,473 million

Acquisition cost

¥334,473 million

4) Description and amount of main acquisition-related costs

Advisory fees

¥1,075 million

5) Amount and reason for recognizing negative goodwill

a. Amount of negative goodwill recognized

¥102,957 million

b. Reason for recognizing negative goodwill

Negative goodwill was recognized because equity interest in the net amount of the assets acquired and the liabilities assumed exceeded the acquisition cost.

Of the difference between equity interest in the net amount of the assets acquired and the liabilities assumed and the acquisition cost, the Company recognized as liabilities the 16% equity interest of ¥19,610 million that is scheduled to be transferred to the Post-Transaction Shareholders, based on the agreement described in (1) 1) f. of Note 31 above that 16% of the outstanding shares of Mitsui Life will be sold to the Post-Transaction Shareholders. Upon the completion of the transfer, the Company plans to reduce its liabilities by this amount and recognize transferred equity interest in the net amount of the assets acquired and the liabilities assumed as non-controlling interests.

6) Amounts of the assets acquired and the liabilities assumed on the business combination date and their main components

Total assets: ¥7,421,484 million

(including investments in securities of ¥5,151,265 million)

Total liabilities: ¥6,964,443 million

(including policy reserves and other reserves of ¥6,202,014 million)

7) Estimated impact on the consolidated statement of income for the fiscal year ended March 31, 2016, assuming the business combination had been completed at the beginning of the fiscal year

The estimated amounts of the impact are total ordinary income of ¥650,789 million, ordinary profit of ¥31,103 million, and net surplus attributable to the Parent Company of ¥15,148 million.

The estimated amounts of the impact represent the respective differences between the total ordinary income and other earnings data calculated as if the business combination had been completed at the beginning of the fiscal year ended March 31, 2016, and the total ordinary income and other earnings data shown on the Company's consolidated statement of income for the fiscal year ended March 31, 2016.

Please note that this note is unaudited.

(2) MLC Limited

On October 27, 2015, the Company entered an agreement with National Australia Bank (“NAB”) to commence procedures for acquiring 80% of the shares of the life insurance business of MLC Limited, a subsidiary of NAB. The Company plans to acquire the shares between September 2016 and December 2016. The acquisition cost of the shares is expected to be approximately A$2,400 million. The Company has applied deferred hedge accounting on the foreign exchange forward contracts to hedge the exposures related to foreign exchange rate fluctuations on a certain portion of the acquisition cost.

32. The amount of securities lent under lending agreements was ¥1,471,565 million as of March 31, 2016.

33. Assets that can be sold or resecured are marketable securities lent under lending agreements. These assets were being held without disposal totaling ¥78,662 million at fair value as of March 31, 2016.

34. The amount of commitments related to loans and loans outstanding was ¥113, 822 million as of March 31, 2016.

35. Of the maximum borrowing amount from the Life Insurance Policyholders Protection Corporation of Japan, which is provided for in Article 37-4 of the Order for Enforcement of the Insurance Business Act, the amount applied to the Company and certain consolidated subsidiaries was estimated to be ¥97,723 million as of March 31, 2016.

The amount contributed to the aforementioned corporation was recorded within operating expenses for the fiscal year.

36. Information relating to retirement benefits is as follows.

(1) Summary of retirement benefit plans

In terms of defined benefit plans, the Company has a defined benefit corporate pension plan and a lump-sum retirement payment plan for non-sales personnel and sales management personnel, etc.

In terms of defined contribution plans, the Company has a defined contribution pension plan.

The Company has a defined benefit plan for sales representatives, etc., in the form of a lump-sum retirement payment plan and an in-house pension plan.

Certain consolidated subsidiaries mainly have a lump-sum retirement payment plan as a defined benefit plan and a defined contribution pension plan as a defined contribution plan.

(2) Defined benefit plan

1) Reconciliation of retirement benefit obligations at the beginning and end of the fiscal year

| | Million Yen |
|---|---|
| | Year ended March 31, 2016 |
| a. Retirement benefit obligations at the beginning of the year | ¥682,116 |
| b. Service costs | ¥26,509 |
| c. Interest cost | ¥4,205 |
| d. Actuarial losses accrued during the year | ¥3,097 |
| e. Retirement benefit payments | ¥(47,618) |
| f. Increase due to change in scope of consolidation | ¥68,924 |
| g. Others | ¥113 |
| h. Retirement benefit obligations at the end of the year (a+b+c+d+e+f+g) | ¥737,348 |

2) Reconciliation of pension plan assets at the beginning and end of the fiscal year

| | Million Yen |
|---|---|
| | Year ended March 31, 2016 |
| a. Pension plan assets at the beginning of the year | ¥272,288 |
| b. Expected return on plan assets | ¥4,441 |
| c. Actuarial gains accrued during the year | ¥519 |
| d. Contributions by business proprietor | ¥7,632 |
| e. Retirement benefit payments | ¥(17,635) |
| f. Increase due to change in scope of consolidation | ¥11,476 |
| g. Pension plan assets at the end of the year (a+b+c+d+e+g) | ¥278,723 |

3) Reconciliation of net defined benefit liability at the beginning and end of the fiscal year under the simplified valuation method

| | Million Yen |
|---|---|
| | Year ended March 31, 2016 |
| a. Net defined benefit liability at the beginning of the year | ¥1,588 |
| b. Benefit costs | ¥287 |
| c. Retirement benefit payments | ¥(87) |
| d. Increase due to change in scope of consolidation | ¥35 |
| e. Net defined benefit liability at the end of the year (a+b+c+d) | ¥1,824 |

4) Reconciliation of retirement benefit obligations, pension plan assets, and net defined benefit liability on the consolidated balance sheet

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Retirement benefit obligations for funded plans | ¥318,307 |
| b. | Pension plan assets | ¥(278,723) |
| | | ¥39,584 |
| c. | Retirement benefit obligations for non-funded plans | ¥420,865 |
| d. | Net defined benefit liability recorded in the consolidated balance sheet | ¥460,449 |
| e. | Net defined benefit liability | ¥460,449 |
| f. | Net defined benefit liability recorded in the consolidated balance sheet | ¥460,449 |

5) Losses (gains) relating to retirement benefits

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Service costs | ¥26,509 |
| b. | Interest cost | ¥4,205 |
| c. | Expected return on plan assets | ¥(4,441) |
| d. | Amortization of actuarial losses for the period | ¥8,484 |
| e. | Amortization of prior service costs for the period | ¥(4,368) |
| f. | Benefit cost under the simplified valuation method | ¥287 |
| g. | Other | ¥113 |
| h. | Benefit cost for defined benefit plans (a+b+c+d+e+f+g) | ¥30,789 |

6) Breakdown of items included in other comprehensive income.

The breakdown of items included in other comprehensive income (before tax) is as follows:

| | | Million Yen |
|---|---|---|
| | | Year ended March 31, 2016 |
| a. | Actuarial losses | ¥5,906 |
| b. | Prior service costs | ¥(4,368) |
| c. | Total (a+b) | ¥1,538 |

7) Breakdown of items included in total accumulated other comprehensive income

The breakdown of items included in total accumulated other comprehensive income (before tax) is as follows:

| | Million Yen |
|---|---|
| | Year ended March 31, 2016 |
| Unrecognized actuarial losses | ¥41,131 |
| Total | ¥41,131 |

8) Pension plan assets consist of the following:

| | | |
|---|---|---|
| a. | General account of Nippon Life | 50.6% |
| b. | Domestic bonds | 27.7% |
| c. | Foreign securities | 17.3% |
| d. | Domestic stocks | 2.5% |
| e. | Cash and deposits | 1.9% |
| f. | Other | 0.0% |
| g. | Total (a+b+c+d+e+f) | 100.0% |

9) Calculation method for long-term expected rate of return on plan assets

To determine the long-term expected rate of return on pension plan assets, the Company takes into consideration the present and forecasted allocation of the pension plan assets, and present and long-term rates of return that are expected from the portfolio of assets that comprise the pension plan assets.

10) Matters relating to the basis for actuarial calculations

The main items in the basis for actuarial calculations of the Company and certain consolidated subsidiaries as of March 31, 2016 are as follows:

| | | |
|---|---|---|
| a. | Discount rate | 0.6-0.7% |
| b. | Long-term expected rate of return on plan assets | 1.6-3.0% |

(3) Defined contribution plans

The Company and its consolidated subsidiaries contributed ¥2,720 million to defined contribution plans during the fiscal year ended March 31, 2016.

37. (1) Total deferred tax assets were ¥1,412,984 million and total deferred tax liabilities were ¥1,986,498 million as of March 31, 2016. Among deferred tax assets, the deduction for the valuation allowance was ¥119,017 million. The major components resulting in deferred tax assets were policy reserves and other reserves of

¥780,768 million, reserve for price fluctuations in investments in securities of ¥270,199 million, net defined benefit liability of ¥127,960 million, and allowance for doubtful accounts of ¥1,969 million. The major component resulting in deferred tax liabilities was net unrealized gains on available-for-sale securities of ¥1,826,119 million.

(2) The statutory tax rate was 28.8% for the fiscal year ended March 31, 2016. The main factors for the difference between the statutory tax rate and the effective income tax rate were a decrease of 13.8% due to the amount of reserve for dividends to policyholders (mutual company), an impact of 6.6% from changes in tax rates, and a decrease of 6.2% due to gain on bargain purchase.

(3) In conjunction with the enactment of the "Act for Partial Revision to the Income Tax Act" (Act No. 15 of 2016), the statutory tax rate applied to the calculation of deferred tax assets and deferred tax liabilities was changed from 28.8% to 28.2% for collections and payments expected to be made in the period from April 1, 2016 to March 31, 2018, and to 27.9% for collections and payments expected to be made on or after April 1, 2018.

As a result of this change, deferred tax liabilities at the end of the period decreased by ¥25,345 million, deferred tax liabilities for land revaluation decreased by ¥3,528 million and deferred tax assets decreased by ¥495 million, while net unrealized gains on available-for-sale securities, net of tax increased by ¥58,488 million and land revaluation losses increased by ¥3,528 million. At the same time, income taxes – deferred increased by ¥31,813 million.

38. Revaluation of land used in the operations of the Company is performed based on the Act on Revaluation of Land. The tax effect of the amount related to the valuation difference between book value and the revalued amount for land revaluation is recognized as a deferred tax liability within the liability section. The valuation differences, excluding tax, are recognized as land revaluation losses within the net assets section.

| | |
|---|---|
| Revaluation Date | March 31, 2002 |
| Revaluation Methodology | The amount is calculated by using the land listed value and road rate as prescribed by Article 2, Items 1 and 4, respectively, of the Order for Enforcement of the Act on Revaluation of Land. |

(5) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

[Consolidated Statements of Income]

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Ordinary income: | 8,057,594 | 7,410,093 |
| Revenues from insurance and reinsurance | 6,262,042 | 5,370,865 |
| Investment income: | 1,527,321 | 1,776,754 |
| Interest, dividends, and other income | 1,421,721 | 1,373,699 |
| Gain from assets held in trust, net | — | 4 |
| Gain on sales of securities | 95,288 | 242,571 |
| Gain on redemptions of securities | 7,121 | 5,039 |
| Reversal of allowance for doubtful accounts | 2,361 | 726 |
| Other investment income | 829 | 525 |
| Gain from separate accounts, net | — | 154,187 |
| Other ordinary income | 268,229 | 262,474 |
| Ordinary expenses: | 7,496,245 | 6,791,489 |
| Benefits and other payments: | 3,948,774 | 3,960,031 |
| Death and other claims | 1,015,417 | 1,022,477 |
| Annuity payments | 851,543 | 839,921 |
| Health and other benefits | 780,732 | 748,368 |
| Surrender benefits | 890,886 | 959,865 |
| Other refunds | 408,104 | 387,696 |
| Reinsurance premiums | 2,090 | 1,701 |
| Provision for policy reserves: | 2,332,142 | 1,708,085 |
| Provision for reserve for outstanding claims | 117,644 | — |
| Provision for policy reserves | 2,191,448 | 1,684,483 |
| Provision for interest on reserve for dividends to policyholders (mutual company) | 23,041 | 23,602 |
| Provision for interest on reserve for dividends to policyholders (limited company) | 8 | — |
| Investment expenses: | 231,508 | 143,863 |
| Interest expenses | 16,547 | 10,342 |
| Loss from assets held in trust, net | 65 | — |
| Loss on sales of securities | 14,800 | 18,386 |
| Loss on valuation of securities | 36,748 | 3,258 |
| Loss on redemptions of securities | 23,947 | 21,595 |
| Loss on derivative financial instruments, net | 8,279 | 48,979 |
| Foreign exchange losses, net | 44,314 | 381 |
| Write-offs of loans | 28 | 20 |
| Depreciation of rental real estate and other assets | 16,011 | 14,917 |
| Other investment expenses | 27,180 | 25,982 |
| Loss from separate accounts, net | 43,585 | — |
| Operating expenses | 624,910 | 586,062 |
| Other ordinary expenses | 358,909 | 393,447 |
| Ordinary profit | 561,348 | 618,604 |

[Consolidated Statements of Income] (Continued)

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Extraordinary gains: | 112,093 | 4,025 |
| Gain on disposals of fixed assets | 9,136 | 4,025 |
| Gain on negative goodwill | 102,957 | — |
| Extraordinary losses: | 188,380 | 181,891 |
| Loss on disposals of fixed assets | 10,220 | 3,459 |
| Impairment losses | 5,886 | 19,908 |
| Provision for reserve for price fluctuations in investments in securities | 169,295 | 155,411 |
| Loss on reduction entry of real estate | — | 136 |
| Contributions for assisting social public welfare | 2,977 | 2,977 |
| Provision for reserve for dividends to policyholders (limited company) | 4,452 | — |
| Surplus before income taxes | 480,609 | 440,738 |
| Income taxes — current | 120,484 | 172,542 |
| Income taxes — deferred | (45,007) | (41,146) |
| Total income taxes | 75,476 | 131,396 |
| Net surplus | 405,132 | 309,342 |
| Net surplus attributable to non-controlling interests | 1,669 | 1,271 |
| Net surplus attributable to the Parent Company | 403,463 | 308,070 |

## Notes to the Consolidated Statement of Income for the Fiscal Year Ended March 31, 2016

1. Impairment losses are as follows:
   1) Method for grouping the assets
      Leased property and idle property of the Company and certain consolidated subsidiaries are classified as one asset group per property. Assets utilized for insurance business operations are classified into one asset group.

   2) Circumstances causing impairment losses
      The Company and certain consolidated subsidiaries observed a marked decrease in profitability or fair value in some of the fixed asset groups. The book value of fixed assets was reduced to the recoverable amount, and impairment losses were recognized as extraordinary losses.

   3) Breakdown of asset groups that recognized impairment losses for the fiscal year ended March 31, 2016, is as follows:

| | Million Yen | | |
|---|---|---|---|
| Purpose of use | Land | Buildings | Total |
| Leased property | ¥1,080 | ¥439 | ¥1,520 |
| Idle property | ¥1,510 | ¥2,855 | ¥4,366 |
| Total | ¥2,591 | ¥3,295 | ¥5,886 |

   4) Calculation method of recoverable amount
      The recoverable amount used for the measurement of impairment losses is based on the net realizable value upon sales of the assets or the discounted future cash flows.
      The discount rate used in the calculation of future cash flows is 4.0%-4.9%. Net realizable values are determined based on appraisals performed in accordance with the "Real Estate Appraisal Standards" or posted land prices.

## [Consolidated Statements of Comprehensive Income]

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| Net surplus | 405,132 | 309,342 |
| Other comprehensive (loss) income: | (1,214,850) | 2,649,292 |
| Net unrealized gains on available-for-sale securities, net of tax | (1,300,313) | 2,760,495 |
| Deferred losses on derivatives under hedge accounting, net of tax | 107,139 | (96,904) |
| Land revaluation losses | 3,528 | 7,615 |
| Foreign currency translation adjustments | (3,385) | 17,321 |
| Remeasurement of defined benefit plans | 745 | (50,466) |
| Share of other comprehensive income of associates accounted for under the equity method | (22,564) | 11,230 |
| Comprehensive (loss) income: | (809,717) | 2,958,634 |
| Comprehensive (loss) income attributable to the Parent Company | (811,399) | 2,957,245 |
| Comprehensive (loss) income attributable to non-controlling interests | 1,681 | 1,388 |

## Basis of Presenting the Consolidated Statement of Comprehensive Income for the Fiscal Year Ended March 31, 2016

Breakdown of other comprehensive loss was as follows:

(1) Reclassification adjustments to profit or loss relating to other comprehensive loss

(Million Yen)

| | | |
|---|---|---|
| Net unrealized gains on available—for—sale securities, net of tax: | | |
| Losses arising during the year | (1,861,999) | |
| Reclassification adjustments to profit or loss | (34,354) | (1,896,354) |
| Deferred losses on derivatives under hedge accounting, net of tax: | | |
| Gains arising during the year | 144,191 | |
| Reclassification adjustments to profit or loss | 8,356 | 152,548 |
| Foreign currency translation adjustments: | | |
| Losses arising during the year | (3,385) | |
| Reclassification adjustments to profit or loss | — | ( 3,385) |
| Remeasurement of defined benefit plans: | | |
| Losses arising during the year | (2,560) | |
| Reclassification adjustments to profit or loss | 4,099 | 1,538 |
| Share of other comprehensive loss of associates accounted for under the equity method: | | |
| Losses arising during the year | (21,779) | |
| Reclassification adjustments to profit or loss | (784) | (22,564) |
| Amount before income tax effect | | (1,768,217) |
| Income tax effect | | 553,366 |
| Total other comprehensive loss | | (1,214,850) |

(2) Income tax effect relating to other comprehensive loss

(Million Yen)

| | Before income tax effect | Income tax effect | After income tax effect |
|---|---|---|---|
| Net unrealized gains on available-for-sale securities, net of tax | (1,896,354) | 596,040 | (1,300,313) |
| Deferred losses on derivatives under hedge accounting, net of tax | 152,548 | (45,409) | 107,139 |
| Land revaluation losses | — | 3,528 | 3,528 |
| Foreign currency translation adjustments | (3,385) | — | (3,385) |
| Remeasurement of defined benefit plans | 1,538 | (793) | 745 |
| Share of other comprehensive income of associates accounted for under the equity method | (22,564) | — | (22,564) |
| Total other comprehensive loss | (1,768,217) | 553,366 | (1,214,850) |

## (6) Consolidated Statements of Cash Flows

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| I. Cash flows from operating activities: | | |
| Surplus before income taxes | 480,609 | 440,738 |
| Depreciation of rental real estate and other assets | 16,011 | 14,917 |
| Depreciation | 47,273 | 47,265 |
| Impairment losses | 5,886 | 19,908 |
| Gain on bargain purchase | (102,957) | — |
| Net increase (decrease) in reserve for outstanding claims | 116,990 | (2,774) |
| Net increase in policy reserves | 2,192,346 | 1,685,475 |
| Provision for interest on reserve for dividends to policyholders (mutual company) | 23,041 | 23,602 |
| Provision for interest on reserve for dividends to policyholders (limited company) | 8 | — |
| Transfers to reserve for dividends to policyholders (subsidiary) | 4,452 | — |
| Net decrease in allowance for doubtful accounts | (2,454) | (806) |
| Net increase in accrued bonuses for directors and audit and supervisory board members | 12 | 24 |
| Net decrease in net defined benefit liability | (6,914) | (7,387) |
| Net increase (decrease) in accrued retirement benefits for directors and audit and supervisory board members | 90 | (110) |
| Net increase in reserve for price fluctuations in investments in securities | 169,295 | 155,411 |
| Interest, dividends, and other income | (1,421,721) | (1,373,699) |
| Losses from assets held in trust, net | 65 | — |
| Net gains on investments in securities | (30,311) | (204,487) |
| Net losses on policy loans | 132,085 | 145,484 |
| Losses on derivative financial instruments, net | 8,279 | 48,979 |
| Interest expenses | 16,547 | 10,342 |
| Net foreign exchange losses | 43,806 | 575 |
| Net losses (gains) on tangible fixed assets | 1,614 | (35) |
| (Gains) losses on equity method investments | (984) | 97 |
| Gains (losses) from separate accounts, net | 43,585 | (154,187) |
| Net (decrease) increase in reinsurance receivables | (139) | (108) |
| Net increase in other assets (excluding those related to investing activities and financing activities) | (55) | (29,642) |
| Net increase in reinsurance payables | (365) | 176 |
| Net increase in other liabilities (excluding those related to investing activities and financing activities) | 13,294 | 16,530 |
| Others, net | (91,580) | (38,642) |
| Subtotal | 1,657,813 | 797,645 |
| Interest, dividends, and other income received | 1,454,091 | 1,394,428 |
| Interest paid | (16,676) | (7,687) |
| Dividends paid to policyholders (mutual company) | (186,287) | (193,741) |
| Dividends paid to policyholders (limited company) | (6,878) | — |
| Others, net | 4,518 | 4,659 |
| Income taxes paid | (187,492) | (207,110) |
| Net cash provided by operating activities | 2,719,088 | 1,788,193 |

## (6) Consolidated Statements of Cash Flows (Continued)

(Million Yen)

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| II. Cash flows from investing activities: | | |
| Net (increase) decrease in deposits | (400) | 500 |
| Net decrease in receivables under securities borrowing transactions | — | 159,856 |
| Purchases of monetary receivables purchased | (23,342) | (17,500) |
| Proceeds from sales and redemptions of monetary receivables purchased | 87,689 | 99,205 |
| Purchases of assets held in trust | (2,000) | — |
| Purchases of securities | (9,868,971) | (8,529,358) |
| Proceeds from sales and redemptions of securities | 6,493,263 | 7,500,525 |
| Disbursements for loans | (1,098,153) | (1,136,208) |
| Proceeds from collections of loans | 1,251,891 | 1,186,604 |
| Net gains (losses) from the settlement of derivative financial instruments | 365,475 | (731,311) |
| Net decrease in cash received as collateral under securities lending transactions | (114,618) | (272,701) |
| Others, net | 70,872 | 33,147 |
| ①Total of investment activities | (2,838,295) | (1,707,240) |
| [I + II①] | [(119,207)] | [80,953] |
| Purchases of tangible fixed assets | (50,009) | (50,695) |
| Proceeds from sales of tangible fixed assets | 31,879 | 8,299 |
| Proceeds from investments in subsidiaries with change in scope of consolidation | 222,986 | — |
| Others, net | (30,251) | (25,162) |
| Net cash used in investing activities | (2,663,689) | (1,774,799) |
| III. Cash flows from financing activities: | | |
| Proceeds from debt borrowing | 208,841 | 220,448 |
| Repayments of debt | (195,942) | (213,616) |
| Proceeds from issuance of corporate bonds | 251,235 | 242,550 |
| Proceeds from issuance of foundation funds | 50,000 | — |
| Redemption of foundation funds | (50,000) | (50,000) |
| Interest on foundation funds | (1,935) | (2,785) |
| Others, net | 6,302 | 4,703 |
| Net cash provided by financing activities | 268,500 | 201,300 |
| IV. Effect of exchange rate changes on cash and cash equivalents | (321) | (209) |
| V. Net increase in cash and cash equivalents | 323,578 | 214,485 |
| VI. Cash and cash equivalents at the beginning of the year | 1,086,504 | 872,018 |
| VII. Net increase in cash and cash equivalents resulting from change in scope of consolidation | 513 | — |
| VIII. Cash and cash equivalents at the end of the period | 1,410,595 | 1,086,504 |

## Basis of Presenting the Consolidated Statement of Cash Flows for the Fiscal Year Ended March 31, 2016

1. Cash and cash equivalents

   Cash and cash equivalents, for the purpose of reporting consolidated cash flows, are composed of cash in hand, deposits held at call with banks and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

2. Main components of assets and liabilities of newly consolidated subsidiaries through the acquisition of shares

   The main components of the assets and liabilities of Mitsui Life Insurance Company Limited at acquisition date, following its conversion into a newly consolidated subsidiary through the acquisition of shares, and the relationship between the acquisition cost of the shares and net proceeds from the acquisition, are as follows:

| | |
|---|---|
| Total assets: | ¥7,421,484 million |
| (including investment in securities of ¥5,151,265 million) | |
| Total liabilities: | ¥(6,964,443) million |
| (including policy reserves and other reserves of ¥(6,202,014) million) | |
| Negative goodwill: | ¥(102,957) million |
| Other liabilities: | ¥(19,610) million |
| Acquisition cost of subsidiary's shares: | ¥334,473 million |
| Cash and cash equivalents of subsidiary: | ¥557,459 million |
| Net proceeds from acquisition of subsidiary's shares: | ¥222,986 million |

## (7) Consolidated Statements of Changes in Net Assets

### Year Ended March 31, 2015

(Million Yen)

| | Foundation funds and others | | | | |
|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Consolidated surplus | Total foundation funds and others |
| Beginning balance | 250,000 | 1,000,000 | 651 | 477,329 | 1,727,980 |
| Increase/decrease: | | | | | |
| Additions to reserve for dividends to policyholders (mutual company) | | | | (201,765) | (201,765) |
| Additions to reserve for redemption of foundation funds | | 50,000 | | (50,000) | — |
| Interest on foundation funds | | | | (2,785) | (2,785) |
| Net surplus attributable to the Parent Company | | | | 308,070 | 308,070 |
| Redemption of foundation funds | (50,000) | | | | (50,000) |
| Reversal of land revaluation losses | | | | 10,724 | 10,724 |
| Net change, excluding foundation funds and others | | | | | |
| Net change | (50,000) | 50,000 | — | 64,244 | 64,244 |
| Ending balance | 200,000 | 1,050,000 | 651 | 541,573 | 1,792,225 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains on available-for-sale securities, net of tax | Deferred losses on derivatives under hedge accounting, net of tax | Land revaluation losses | Foreign currency translation adjustments | Remeasur-ements of defined benefit plans | Total accumulated other comprehensive income | | |
| Beginning balance | 3,261,140 | (134,156) | (85,561) | 10,162 | 20,085 | 3,071,671 | 14,399 | 4,814,051 |
| Increase/decrease: | | | | | | | | |
| Additions to reserve for dividends to policyholders (mutual company) | | | | | | | | (201,765) |
| Additions to reserve for redemption of foundation funds | | | | | | | | — |
| Interest on foundation funds | | | | | | | | (2,785) |
| Net surplus attributable to the Parent Company | | | | | | | | 308,070 |
| Redemption of foundation funds | | | | | | | | (50,000) |
| Reversal of land revaluation losses | | | | | | | | 10,724 |
| Net change, excluding foundation funds and others | 2,762,762 | (96,904) | (3,108) | 26,167 | (50,466) | 2,638,450 | 1,337 | 2,639,788 |
| Net change | 2,762,762 | (96,904) | (3,108) | 26,167 | (50,466) | 2,638,450 | 1,337 | 2,704,032 |
| Ending balance | 6,023,903 | (231,060) | (88,670) | 36,330 | (30,381) | 5,710,121 | 15,736 | 7,518,084 |

## (7) Consolidated Statements of Changes in Net Assets (Continued)

### Year Ended March 31, 2016

(Million Yen)

| | Foundation funds and others | | | | |
|---|---|---|---|---|---|
| | Foundation funds | Reserve for redemption of foundation funds | Reserve for revaluation | Consolidated surplus | Total foundation funds and others |
| Beginning balance | 200,000 | 1,050,000 | 651 | 541,573 | 1,792,225 |
| Increase/decrease: | | | | | |
| Issuance of foundation funds | 50,000 | | | | 50,000 |
| Additions to reserve for dividends to policyholders (mutual company) | | | | (257,299) | (257,299) |
| Additions to reserve for redemption of foundation funds | | 50,000 | | (50,000) | ― |
| Interest on foundation funds | | | | (1,935) | (1,935) |
| Net surplus attributable to the Parent Company | | | | 403,463 | 403,463 |
| Redemption of foundation funds | (50,000) | | | | (50,000) |
| Reversal of land revaluation losses | | | | 1,060 | 1,060 |
| Change in scope of consolidation and equity method accounting | | | | (6,485) | (6,485) |
| Change in the parent's ownership interest due to transactions with non-controlling interests | | | | 413 | 413 |
| Net change, excluding foundation funds and others | | | | | |
| Net change | ― | 50,000 | ― | 89,216 | 139,216 |
| Ending balance | 200,000 | 1,100,000 | 651 | 630,790 | 1,931,441 |

(7) Consolidated Statements of Changes in Net Assets (Continued)

Year Ended March 31, 2016

(Million Yen)

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized gains on available-for-sale securities, net of tax | Deferred losses on derivatives under hedge accounting, net of tax | Land revaluation losses | Foreign currency translation adjustments | Remeasur-ements of defined benefit plans | Total accumulated other comprehensive income | | |
| Beginning balance | 6,023,903 | (231,060) | (88,670) | 36,330 | (30,381) | 5,710,121 | 15,736 | 7,518,084 |
| Increase/decrease: | | | | | | | | |
| Issuance of foundation funds | | | | | | | | 50,000 |
| Additions to reserve for dividends to policyholders (mutual company) | | | | | | | | (257,299) |
| Additions to reserve for redemption of foundation funds | | | | | | | | — |
| Interest on foundation funds | | | | | | | | (1,935) |
| Net surplus attributable to the Parent Company | | | | | | | | 403,463 |
| Redemption of foundation funds | | | | | | | | (50,000) |
| Reversal of land revaluation losses | | | | | | | | 1,060 |
| Change in scope of consolidation and equity method accounting | | | | | | | | (6,485) |
| Change in the parent's ownership interest due to transactions with non-controlling interests | | | | | | | | 413 |
| Net change, excluding foundation funds and others | (1,302,864) | 107,139 | 2,468 | (11,437) | 743 | (1,203,950) | 703 | (1,203,247) |
| Net change | (1,302,864) | 107,139 | 2,468 | (11,437) | 743 | (1,203,950) | 703 | (1,064,030) |
| Ending balance | 4,721,039 | (123,921) | (86,202) | 24,893 | (29,637) | 4,506,171 | 16,440 | 6,454,053 |

## (8) Status of Nonperforming Assets According to Borrower's Classification (Consolidated)

(Million Yen, %)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Bankrupt and quasi-bankrupt loans | 10,396 | 10,650 |
| Doubtful loans | 20,622 | 23,678 |
| Substandard loans | 4,029 | 4,107 |
| Subtotal | 35,048 | 38,436 |
| [Percent of total, %] | [0.32] | [0.35] |
| Normal loans | 10,965,012 | 10,971,009 |
| Total | 11,000,061 | 11,009,446 |

Notes:
1. Bankrupt and quasi-bankrupt loans are nonperforming assets and similar loans that have fallen into bankruptcy due to reasons, including initiation of bankruptcy proceedings, start of reorganization proceedings, or submission of an application to start rehabilitation proceedings.
2. Doubtful loans are nonperforming assets with a strong likelihood that loan principal cannot be recovered or interest cannot be received according to the contract because of difficulties in the financial condition and business performance of the debtor who has not yet entered into bankruptcy.
3. Substandard loans include loans that are delinquent for over three months or restructured loans. Loans that are delinquent for over three months are loans with principal or interest being unpaid for over three months counting from the day after the due date based on the loan agreement (excluding 1. and 2. in the above notes). Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring. Examples of such concessions include reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers (excluding 1. and 2. in the above notes and loans that are delinquent for over three months).
4. Normal loans are loans that do not fall under the classifications for 1. to 3. in the above notes and where the debtor has no financial or business performance problems.

<u>Supplemental information for borrower's classification</u>

- Classifications and calculation methods used in this table are based on the Ordinance for Enforcement of the Insurance Business Act. The table includes guaranteed private offering loans of financial institutions, loans, securities lending, accrued interest, suspense payments, and customer's liability for acceptances and guarantees.
- For bankrupt and quasi-bankrupt loans, the estimated uncollectible amount calculated by subtracting the amount of collateral value or the amount collectible by the execution of guarantees from the balance of loans is directly deducted from the total loan amount. The estimated uncollectible amounts as of March 31, 2016 and 2015, were ¥1,333 million and ¥743 million, respectively.

## (9) Status of Risk—Monitored Loans (Consolidated)

(Million Yen, %)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Loans to bankrupt borrowers | 1,978 | 2,181 |
| Delinquent loans | 29,031 | 32,127 |
| Loans that are delinquent for over three months | ― | ― |
| Restructured loans | 4,029 | 4,107 |
| Total | 35,039 | 38,417 |
| [Percent of total loans, %] | [0.37] | [0.46] |

Notes:
1. For loans to bankrupt borrowers and quasi-bankrupt borrowers (including collateralized and guaranteed loans), the estimated uncollectible amount (calculated by subtracting estimated collectable amounts based on collateral and guarantees from total loans) is directly deducted from the total loan amount.
   The amount directly deducted from loans to bankrupt borrowers and delinquent loans were ¥867 million and ¥465 million, respectively, as of March 31, 2016, and ¥315 million and ¥427 million, respectively, as of March 31, 2015.
2. Loans to bankrupt borrowers are loans with principal or interest payments being overdue for a significant period of time and interest not being accrued, including the following: (a) loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, or Company Act, (b) loans to borrowers that have notes suspended from being traded, and (c) loans to borrowers that have filed for legal proceedings similar to the aforementioned proceedings based on overseas laws.
3. Delinquent loans are loans with interest not accrued and exclude loans to bankrupt borrowers and loans with interest payments extended with the objective of restructuring or supporting the borrowers.
4. Loans that are delinquent for over three months are loans with principal or interest unpaid for over three months counting from the day after the due date based on the loan agreement. Note that the account does not include loans to bankrupt borrowers and delinquent loans.
5. Restructured loans are loans that provide certain concessions favorable to the borrower with the intent of supporting the borrower's restructuring, such as by reducing or exempting interest, postponing principal or interest payments, releasing credits, or providing other benefits to the borrowers (excluding loans to bankrupt borrowers, delinquent loans, and loans that are delinquent for over three months from above).
6. Interest that is not accrued for loans of borrowers who are deemed to be bankrupt, quasi-bankrupt, or doubtful based on the results of asset self-assessment is not recorded as income.

## (10) Consolidated Solvency Margin Ratio

(Million Yen)

| | As of March 31, 2016 | As of March 31, 2015 |
|---|---|---|
| Solvency margin gross amount (A): | 12,479,088 | 13,303,975 |
| Foundation funds (*kikin*) and other reserve funds: | 4,390,194 | 3,876,544 |
| Foundation funds and others | 1,730,592 | 1,559,750 |
| Reserve for price fluctuations in investments in securities | 963,730 | 778,723 |
| Contingency reserve | 1,425,637 | 1,250,248 |
| Extraordinary contingency funds | — | — |
| General allowance for doubtful accounts | 3,441 | 4,139 |
| Others | 266,792 | 283,681 |
| Net unrealized gains on available-for-sale securities (before tax) and deferred losses on derivatives under hedge accounting (before tax)× 90% | 5,730,365 | 7,594,244 |
| Net unrealized gains on real estate × 85% | 131,422 | 73,241 |
| Net unrecognized actuarial differences and unrecognized prior service costs | (41,133) | (42,670) |
| Excess of continued Zillmerized reserve | 1,604,361 | 1,509,979 |
| Qualifying subordinated debt | 800,825 | 399,590 |
| Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculations | — | — |
| Deduction clause | (205,561) | (157,665) |
| Others | 68,614 | 50,711 |
| Total amount of risk (B): $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$ | 2,704,855 | 2,821,315 |
| Underwriting risk ($R_1$) | 145,594 | 127,656 |
| General underwriting risk ($R_5$) | — | — |
| Huge disaster risk ($R_6$) | — | — |
| Underwriting risk of third-sector insurance ($R_8$) | 87,509 | 78,260 |
| Underwriting risk related to small amount and short-term insurance providers ($R_9$) | — | — |
| Anticipated yield risk ($R_2$) | 446,886 | 386,107 |
| Minimum guarantee risk ($R_7$) | 16,854 | 5,820 |
| Investment risk ($R_3$) | 2,173,426 | 2,362,494 |
| Business management risk ($R_4$) | 57,405 | 59,206 |
| Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$ | 922.7% | 943.1% |

Notes: 1. The amounts and figures in the table above are calculated based on the provisions of Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Financial Services Agency Public Notice No.23 of 2011.

2. The standard method is used for the calculation of the amount equivalent to minimum guarantee risk.

3. From March 31, 2016, net unrealized gains/losses on available-for-sale securities, as shown previously, have been reclassified as net unrealized gains/losses on available-for-sale securities (before tax) and deferred gains/losses on derivatives under hedge accounting (before tax). (Figures as of March 31, 2015 are presented based on the previous standard.)

(11) Segment Information

For the fiscal years ended March 31, 2016 and 2015 the Company and its consolidated subsidiaries engaged in insurance business and insurance-related businesses (including asset management-related business and general administration-related business) in Japan and overseas. Segment information and its related information are omitted because there are no other significant segments to report.