

May 15, 2018

Financial Results for the Fiscal Year Ended March 31, 2018

The Dai-ichi Life Insurance Company, Limited (the "Company"; President: Seiji Inagaki) announces its financial results for the fiscal year ended March 31, 2018.

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Attached: Supplementary Materials for the Fiscal Year Ended March 31, 2018.

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Please note that this is an unofficial translation of the original disclosure in Japanese.

Regarding the Figures Presented in this Document

The Dai-ichi Life Insurance Company, Limited ("former Dai-ichi Life": "A" as shown below) changed its trading name to Dai-ichi Life Holdings, Inc. on October 1, 2016 and changed its business purpose to managing the business activities of its group companies etc.

The domestic life insurance business of former Dai-ichi Life is succeeded by The Dai-ichi Life Insurance Company, Limited* ("current Dai-ichi Life": "C" as shown below) by means of corporate split.

*Trading name changed from The Dai-ichi Life Split Preparation Company, Limited ("B" as shown below) on October 1, 2016.

For the purpose of presenting comparable business results with the previous fiscal year, the figures presented in this document are defined below.

<Figures Presented>

- Ending balance of a given fiscal year

For fiscal year 2017 (current fiscal year) and 2016 (previous fiscal year), current Dai-ichi Life figures are presented.

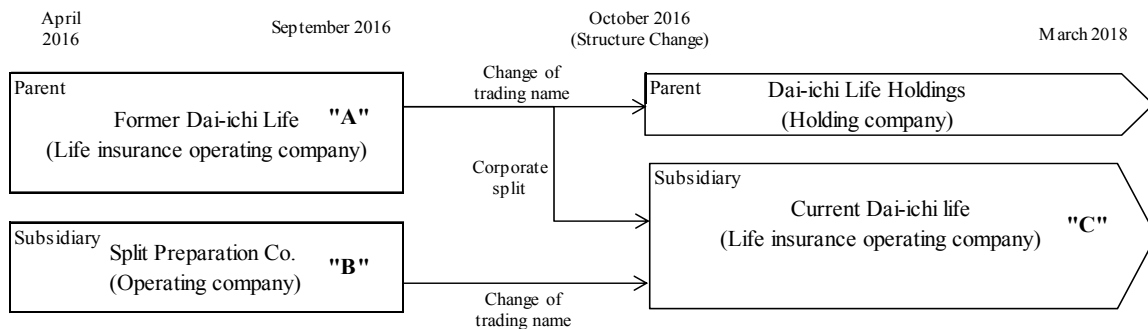
	Figures Presented
Fiscal year 2017	Current Dai-ichi Life figures as of March 31, 2018
Fiscal year 2016	Current Dai-ichi Life figures as of March 31, 2017

- Profit/loss etc. for a given period

For fiscal year 2017 (current fiscal year), current Dai-ichi Life results are presented.

For fiscal year 2016 (previous fiscal year), the sum of former Dai-ichi Life and Dai-ichi Life Split Preparation Company results between April to September, 2016 and current Dai-ichi Life results

	Figures Presented
Fiscal year 2017	Current Dai-ichi Life results (April, 2017 to March, 2018)
Fiscal year 2016	Former Dai-ichi Life results (April to September, 2016) + Dai-ichi Life Split Preparation Company results (April to September, 2016) + Current Dai-ichi Life results (October, 2016 to March, 2017) [A+B+C]



1. Business Highlights

(1) Annualized Net Premium

Policies in Force

(billions of yen)

	As of March 31, 2017		As of March 31, 2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Individual insurance	1,620.3	99.4	1,613.0	99.6
Individual annuities	526.9	121.1	532.7	101.1
Total	2,147.2	104.0	2,145.8	99.9
Medical and survival benefits	606.3	105.2	647.9	106.9

New Policies

(billions of yen)

	As of March 31, 2017		As of March 31, 2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Individual insurance	98.0	99.0	96.0	98.0
Individual annuities	98.1	235.8	15.1	15.5
Total	196.1	139.5	111.2	56.7
Medical and survival benefits	60.2	117.6	73.2	121.5

- Note: 1. Annualized net premium is calculated by using multipliers for various premium payment terms to the premium per payment. In single premium contracts, the amount is calculated by dividing the premium by the duration of the policy.
2. Annualized net premium for medical and survival benefits includes (a) premium related to medical benefits such as hospitalization and surgery benefits, (b) premium related to survival benefits such as specific illness and nursing benefits, and (c) premium related to premium waiver benefits, in which disability cause is excluded but causes such as specific illness and nursing care are included.
3. New policies include net increase by conversion.

(2) Sum Insured of Policies in Force and New Policies

Policies in Force

	As of March 31, 2017			
	Number of policies		Amount	
	(thousands)	% of March 31, 2016 total	(billions of yen)	% of March 31, 2016 total
Individual insurance	11,704	100.2	108,578.4	94.6
Individual annuities	1,964	119.0	11,481.3	115.9
Individual insurance and annuities	13,668	102.5	120,059.7	96.3
Group insurance	-	-	47,451.8	98.8
Group annuities	-	-	6,106.6	100.7

	As of March 31, 2018			
	Number of policies		Amount	
	(thousands)	% of March 31, 2017 total	(billions of yen)	% of March 31, 2017 total
Individual insurance	11,768	100.5	102,446.7	94.4
Individual annuities	1,978	100.7	11,366.7	99.0
Individual insurance and annuities	13,746	100.6	113,813.4	94.8
Group insurance	-	-	47,388.2	99.9
Group annuities	-	-	6,175.7	101.1

- Note: 1. Policy amount in force of individual annuities is equal to (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced.
2. Policy amount in force of group annuities is equal to the amount of outstanding corresponding policy reserve.

New Policies

	Year ended March 31, 2017					
	Number of policies		Amount			% of March 31, 2016 total
	(thousands)	% of March 31, 2016 total	(billions of yen)	New Business	Net increase by conversion	
Individual insurance	923	92.0	2,073.6	3,912.1	(1,838.5)	92.0
Individual annuities	365	231.9	2,009.1	2,021.1	(11.9)	192.6
Individual insurance and annuities	1,289	111.0	4,082.8	5,933.2	(1,850.4)	123.8
Group insurance	-	-	194.2	194.2	-	119.6
Group annuities	-	-	0.1	0.1	-	47.9

	Year ended March 31, 2018					
	Number of policies		Amount			% of March 31, 2017 total
	(thousands)	% of March 31, 2017 total	(billions of yen)	New Business	Net increase by conversion	
Individual insurance	1,010	109.5	2,092.9	4,048.5	(1,955.6)	100.9
Individual annuities	74	20.3	364.9	376.6	(11.7)	18.2
Individual insurance and annuities	1,085	84.2	2,457.8	4,425.2	(1,967.3)	60.2
Group insurance	-	-	404.4	404.4	-	208.2
Group annuities	-	-	0.1	0.1	-	107.5

- Note: 1. Number of new policies is the sum of new business and policies after conversion.
2. Amount of new policies for individual annuities, both new business and net increase by conversion, is equal to the funds to be held at the time annuity payments are to commence.
3. Amount of new policies for group annuities is equal to the initial premium payment.

(3) Profit and Loss Items

(millions of yen)

	Year ended March 31, 2017		Year ended March 31, 2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Premium and other income	2,547,581	88.9	2,321,998	91.1
Investment income	1,072,049	101.1	1,151,279	107.4
Benefits and claims	2,327,502	86.8	2,265,295	97.3
Investment expenses	286,301	104.5	290,370	101.4
Ordinary profit	281,810	81.9	358,863	127.3

(4) Total Assets

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Total Assets	35,686,645	99.4	36,339,190	101.8

2. Policies in Force as of March 31, 2018 by Benefit

	Individual insurance (I)		Individual annuities (II)		Group insurance (III)		Total (I+II+III)	
	Number (thousands)	Amount (billions of yen)	Number (thousands)	Amount (billions of yen)	Number (thousands)	Amount (billions of yen)	Number (thousands)	Amount (billions of yen)
Death benefits								
general	11,192	87,526.2	-	0.0	25,024	47,382.0	36,217	134,908.2
accidental	[2,978]	[11,927.1]	[1,117]	[382.4]	[2,766]	[1,414.8]	[6,863]	[13,724.4]
others	[0]	[0.0]	[-]	[-]	[64]	[60.4]	[64]	[60.5]
Survival benefits	575	14,920.4	1,978	11,366.7	7	6.2	2,561	26,293.4
Hospitalization benefits								
accidental	[8,764]	[45.8]	[54]	[0.2]	[1,390]	[0.7]	[10,209]	[46.9]
illness	[8,737]	[45.7]	[55]	[0.2]	[1]	[0.0]	[8,794]	[46.0]
others	[3,602]	[22.0]	[42]	[0.1]	[53]	[0.0]	[3,698]	[22.2]
Injury benefits	[6,090]	-	[67]	-	[2,435]	-	[8,593]	-
Surgery benefits	[8,217]	-	[55]	-	-	-	[8,272]	-

	Group annuities (IV)		Financial insurance (V)		Financial annuities (VI)		Total (IV+V+VI)	
	Number (thousands)	Amount (billions of yen)	Number (thousands)	Amount (billions of yen)	Number (thousands)	Amount (billions of yen)	Number (thousands)	Amount (billions of yen)
Survival benefits	8,031	6,175.7	71	264.7	39	88.2	8,142	6,528.7

	Medical care insurance	
	Number (thousands)	Amount (billions of yen)
Hospitalization benefits	393	0.9

	Group disability	
	Number (thousands)	Amount (billions of yen)
Disability benefits	22	1.6

Note:

- Figures in [] show numbers and amounts of additional benefits and of benefits to be paid from riders.
- Numbers of group insurance, group annuities, financial insurance, financial annuities, medical care insurance and group disability show the numbers of insureds.
- Amounts in 'Survival benefits' show the sum of (a) the funds to be held at the time annuity payments are to commence for an annuity for which payment has not yet commenced, and (b) the amount of policy reserve for an annuity for which payments have commenced for individual annuities, group insurance (annuity riders) and financial annuities. The amounts in 'Survival benefits' show the amount of outstanding corresponding policy reserve for group annuities, financial insurance and others.
- Amounts in 'Hospitalization benefits' show the amount of hospitalization benefit to be paid per day.
- Amount in 'Hospitalization benefits' for medical care insurance shows the daily amount to be paid for hospitalization from illness.
- Amount in group disability insurance shows the amount of disability benefits paid per month.
- The number of insureds and amount of policies for reinsurance written were 233 thousand and 414.4 billion yen, respectively.

3. Investment of General Account Assets for the Fiscal Year Ended March 31, 2018

(1) Investment Environment

- During the fiscal year ended March 31, 2018, the Japanese economy continued to expand as capital investment improved against the backdrop of an increase in exports and corporate earnings due to global economic broadening, and personal consumption also increased gradually against the backdrop of an improvement in income.
- In the U.S., the U.S. economy remained strong, supported by continued growth in consumer spending as the employment and income environment improved, as well as an broadening in capital investment due to an optimistic outlook on the economic outlook against the backdrop of the enactment of the U.S. Tax Reform Act.
- The European economy was on an expansionary trend as exports improved, supported by the broadening of the global economy, and domestic demand also remained firm.
- Given the economic environment described above, the investment environment was as follows:

[Domestic interest rates]

- The yield on 10-year JGBs temporarily rose to above 0.1 percent in response to upward pressure on global interest rates. However, due to the Bank of Japan's quantitative and qualitative monetary easing policy, which operates long-term and short-term interest rates, JGB yields remained stable, centering on the range of 0% to 0.1%.

Yield on ten-year government bonds:	April 1, 2017	0.065%
	March 31, 2018	0.040%

[Domestic Stocks]

- The Nikkei 225 Stock Average was strong due to expectations for improvement in corporate performance against the backdrop of the global economic recovery and progress in tax reform of the U.S. Trump Administration, although market volatility increased due to rising interest rates against the backdrop of expectations of accelerating monetary tightening in the U.S. and concerns over a trade war.

Nikkei 225 Stock Average:	April 1, 2017	18,909
	March 31, 2018	21,454
TOPIX:	April 1, 2017	1,512
	March 31, 2018	1,716

[Foreign Currency]

- The dollar-yen exchange rate remained unchanged in the first half of the fiscal year due to the expectation that the Federal Reserve Board's moderate rate hike would continue. However, in the second half of the fiscal year, the yen appreciated against the U.S. dollar, reflecting downward pressure on the U.S. dollar due to concerns over the trade war and a decline in stock prices.
- The euro-yen exchange rate increased as a background of a rise in European interest rates following the decision to reduce the quantitative easing measures taken by the European Central Bank (ECB) in response to an upturn in the European inflation rate.

yen /U.S. dollar:	April 1, 2017	¥112.19
	March 31, 2018	¥106.24
yen/euro:	April 1, 2017	¥119.79
	March 31, 2018	¥130.52

(2) Investment Results

[Asset Composition]

- The Company has continued to invest mainly in fixed-income assets, such as government and corporate bonds, in accordance with our medium-to long-term asset management policy. In response to the continued low interest rate environment, the Company continued to control risks using interest rate swaps and other instruments, while we refrained from accumulating policy-reserve-matching bonds, particularly super long-term government bonds.
- The Company has flexibly changed the allocation of its risk assets (such as domestic stocks and foreign securities mainly focused on improving the profitability and diversification of portfolios) by taking market trends into account.

- The table below summarizes the investment results of the Company's general account by asset class:

Assets	Investment results
Domestic bonds	<u>Decrease</u> The overall balance of domestic bonds, mainly JGBs, decreased as a result of continuous limitation on accumulating policy- reserve- matching bonds which primarily consist of super long-term government bonds. Instead, the Company strived to improve investment yields by investing in credit risk products and securitized products.
Loans	<u>Decrease</u> The overall balance of loans decreased due mainly to contractual maturities. The Company also provided loans to secure adequate risk-adjusted credit spreads, while also paying attention to the credit spread trends in the bond market.
Domestic stocks	<u>Increase</u> The overall balance of domestic stocks on a market value basis increased due to a rise in stock prices, while the Company sold a certain amount of stock for risk control purposes. The Company also invested in sectors/companies which are expected to grow in the mid-to-long term, taking into account the analyses of in-house analysts.
Foreign bonds	<u>Increase</u> The overall balance of foreign bonds increased as a result of the accumulation of the balance from the viewpoint of improving the profitability of the portfolio and diversifying investment. The Company also worked to control risk by diversifying bond types and currencies to improve investment efficiency.
Foreign stocks	<u>Increase</u> The overall balance of foreign stocks increased as a result of the accumulation of the balance from the viewpoint of improving the profitability of the portfolio and diversifying investment. The Company also continued to focus on diversification by investment style and geographical composition of its foreign stock portfolio, utilizing both in-house and third-party asset managers.
Real estate	<u>Decrease</u> The balance of real estate decreased due to depreciation and other factors. In order to promote diversification for holding properties, the Company pursued investment in new residential and commercial properties and a replacement of holding assets based on operation status, region, elapsed years.

Note: Underlined changes in assets above are described on a balance sheet amount basis.

[Investment income and expenses]

- Investment income increased by ¥80.8 billion to ¥1,098.1 billion due mainly to a increase in interest and dividends and gains on sale of securities
- Investment expenses increased by ¥4.0 billion to ¥290.3 billion due mainly to an increase in losses on sale of securities, and expenses on derivative instruments, which offset a decrease in unrealized losses on securities.
- As a result, net investment income increased by ¥76.7 billion to ¥807.7 billion.

(3) Investment Environment Outlook for the Fiscal Year Ending March 31, 2019

- For the fiscal year ending March 31, 2019, the Company expects that the Japanese economy will continue on an broadening trend, as exports are likely to continue on an uptrend amid strong overseas economies, especially in the United States, and capital investment is expected to continue to increase as a result of strong corporate earnings. In addition, the quantitative and qualitative monetary easing measures with long and short interest rate operation of the BOJ, which seek to maintain a low interest rate environment, are expected to support the economy.
- On the other hand, in light of the risk of worsening trade wars and the heightened risk of political events and geopolitical events in each country, it is also necessary to consider the possibility of a significant increase in the volatility of financial markets.

[Domestic interest rates]

The Company assumes that domestic interest rates will remain low, as the BOJ is expected to maintain its quantitative and qualitative monetary easing measures with long and short interest rate operation, because it would be less likely for the inflation rate to achieve the 2% target for a while.

[Domestic stocks]

- The Company forecasts that improvement of corporate performance by global economic growth and the depreciation of the yen will support a rise in stock prices. The Company will pay attention to the increasing political risks and geopolitical risks in each country.

[Foreign currency]

- The Company anticipates depreciation of the yen against the U.S. dollar, as the Fed is expected to steadily raise interest rates, while the BOJ is expected to maintain or enhance its monetary easing measures for the long term. Also, the Company will closely monitor factors which raise uncertainty about foreign exchange rates, such as the monetary policy direction and geopolitical risk and others.
- For euro-yen exchange rates, the Company anticipates a depreciation of the yen, as ECB started tapering of quantitative easing based on the rise in the inflation rate in Europe.

(4) Investment Policies for the Fiscal Year Ending March 31, 2019

The Company will continue to set fixed income investments, including government and corporate bonds, as the core of its asset portfolio, consistent with its mid- to long-term investment policies. In addition, taking into account market trends, the Company will continue to provide loans and investments in new areas, while flexibly allocating assets, to diversify and improve the overall returns of its investment portfolio.

The table below summarizes the expected investments of the Company's general account by asset class:

Assets	Investment policies
Domestic bonds	<u>Decrease</u> The Company will continue investing in domestic bonds as a core asset under its ALM strategy. Taking the current low interest rate environment into account, the Company will continue to refrain from purchasing Japanese government bonds. The Company will strive to expand its investments in infrastructure and project finance-related investments. When interest rates rise, the Company will accelerate its investments in bonds with longer durations (i.e. long-term bonds and super-long-term bonds) to further enhance its ALM.
Loans	<u>Decrease</u> While actively providing new loans to fulfill capital needs in growth areas, the overall loan balance of the Company is expected to decrease mainly due to contractual maturities. The Company intends to provide new loans by setting appropriate credit spreads, with attention to borrowers' profiles and credit spread levels in the corporate bond market.
Domestic stocks	<u>Decrease</u> The balance is expected to decline as a result of the sale for the purpose of risk control. However, we intend to proactively reallocate stocks and industries in consideration of competitiveness, growth potential, and undervalued stock prices, and to flexibly control the balance depending on the stock price level.
Foreign bonds	<u>Depending on the interest rate and exchange rate level</u> As for foreign currency-denominated bonds without currency hedges, the Company will flexibly change the allocation of this asset class based on exchange rate trends, while carefully monitoring the effect of diversification among risk assets. As for foreign currency-denominated bonds with currency hedges, the Company will also adjust the balance flexibly while carefully monitoring domestic and foreign interest rate differentials and flexibly change its overall balance.
Foreign stocks	<u>Depending on the level of foreign stock prices</u> The Company will increase the alternative assets to diversify the portfolio's risk, while we intend to flexibly control the balance of all foreign equities depending on the stock price level. We will also seek to improve and stabilize the profitability of our portfolio by diversifying investment styles and geographically diversifying.

(2) Investment Income

(millions of yen)

	Year ended March 31, 2017		Year ended March 31, 2018	
	Amount	%	Amount	%
Interest and dividends	773,506	76.0	836,004	76.1
Interest from bank deposits	7,416	0.7	6,532	0.6
Interest and dividends from securities	628,036	61.7	695,803	63.4
Interest from loans	56,405	5.5	52,045	4.7
Rental income	70,696	6.9	71,352	6.5
Other interest and dividends	10,951	1.1	10,269	0.9
Gains on trading account securities	-	-	-	-
Gains on money held in trust	4,207	0.4	9,222	0.8
Gains on investments in trading securities	-	-	-	-
Gains on sale of securities	200,059	19.7	229,603	20.9
Gains on sale of domestic bonds	108,873	10.7	134,364	12.2
Gains on sale of domestic stocks	29,609	2.9	51,614	4.7
Gains on sale of foreign securities	60,701	6.0	43,579	4.0
Others	874	0.1	44	0.0
Gains on redemption of securities	38,258	3.8	21,669	2.0
Derivative transaction gains	-	-	-	-
Foreign exchange gains	-	-	-	-
Reversal of reserve for possible loan losses	-	-	259	0.0
Reversal of reserve for possible investment losses	-	-	-	-
Other investment income	1,231	0.1	1,341	0.1
Total	1,017,262	100.0	1,098,101	100.0

(3) Investment Expense

(millions of yen)

	Year ended March 31, 2017		Year ended March 31, 2018	
	Amount	%	Amount	%
Interest expenses	12,995	4.5	14,041	4.8
Losses on trading account securities	-	-	-	-
Losses on money held in trust	-	-	-	-
Losses on investments in trading securities	-	-	-	-
Losses on sale of securities	91,167	31.8	111,285	38.3
Losses on sale of domestic bonds	8,311	2.9	4,765	1.6
Losses on sale of domestic stocks	12,105	4.2	7,997	2.8
Losses on sale of foreign securities	68,907	24.1	98,299	33.9
Others	1,842	0.6	222	0.1
Losses on valuation of securities	24,814	8.7	825	0.3
Losses on valuation of domestic bonds	589	0.2	-	-
Losses on valuation of domestic stocks	15,587	5.4	741	0.3
Losses on valuation of foreign securities	8,637	3.0	83	0.0
Others	-	-	-	-
Losses on redemption of securities	2,610	0.9	4,321	1.5
Derivative transaction losses	14,750	5.2	32,771	11.3
Foreign exchange losses	81,093	28.3	75,078	25.9
Provision for reserve for possible loan losses	248	0.1	-	-
Provision for reserve for possible investment losses	21	0.0	205	0.1
Write-down of loans	41	0.0	43	0.0
Depreciation of real estate for rent and others	13,765	4.8	13,270	4.6
Other investment expenses	44,794	15.6	38,527	13.3
Total	286,301	100.0	290,370	100.0

(4) Asset Composition

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying amount	%	Carrying amount	%
Cash, deposits, and call loans	515,536	1.5	621,591	1.8
Securities repurchased under resale agreements	-	-	-	-
Deposit paid for securities borrowing transactions	-	-	-	-
Monetary claims bought	192,213	0.6	191,108	0.5
Trading account securities	-	-	-	-
Money held in trust	50,191	0.1	59,348	0.2
Securities	29,659,250	85.3	30,096,677	85.0
Domestic bonds	16,052,254	46.2	15,913,439	44.9
Domestic stocks	3,474,743	10.0	3,696,766	10.4
Foreign securities	9,512,246	27.3	9,942,625	28.1
Foreign bonds	8,260,182	23.7	8,520,524	24.1
Foreign stocks and other securities	1,252,063	3.6	1,422,100	4.0
Other securities	620,006	1.8	543,845	1.5
Loans	2,657,852	7.6	2,562,316	7.2
Policy loans	381,830	1.1	358,340	1.0
Ordinary loans	2,276,021	6.5	2,203,976	6.2
Real estate	1,116,371	3.2	1,109,277	3.1
Real estate for rent	773,479	2.2	781,677	2.2
Deferred tax assets	-	-	-	-
Others	592,762	1.7	775,363	2.2
Reserve for possible loan losses	(1,472)	(0.0)	(994)	(0.0)
Total	34,782,705	100.0	35,414,688	100.0
Foreign currency-denominated assets	8,407,769	24.2	8,938,137	25.2

Note: "Real estate" represents total amount of land, buildings and construction in progress.

(5) Other Information on Investments

A. Rates of return

	(%)	
	Year ended March 31, 2017	Year ended March 31, 2018
Cash, deposits, and call loans	0.14	(0.15)
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	2.03	1.83
Trading account securities	-	-
Money held in trust	8.83	18.39
Securities	2.36	2.66
Domestic bonds	2.47	2.71
Domestic stocks	3.20	6.28
Foreign securities	2.05	1.67
Foreign bonds	1.71	1.02
Foreign stocks and other securities	3.73	5.84
Loans	2.03	2.01
Ordinary loans	1.61	1.61
Real estate	3.99	4.17
Total	2.21	2.46
Foreign investments	1.90	1.54

Note: 1. Rates of return above are calculated by dividing the net investment income included in ordinary profit by the average daily balance on a book value basis.

2. "Foreign investments" include yen-denominated assets.

B. Average daily balance

	(billions of yen)	
	Year ended March 31, 2017	Year ended March 31, 2018
Cash, deposits, and call loans	652.2	614.1
Securities repurchased under resale agreements	-	-
Deposit paid for securities borrowing transactions	-	-
Monetary claims bought	205.1	181.7
Trading account securities	-	-
Money held in trust	47.6	50.1
Securities	27,105.2	27,157.9
Domestic bonds	15,736.6	15,511.6
Domestic stocks	1,937.6	1,790.3
Foreign securities	8,875.3	9,359.2
Foreign bonds	7,370.5	8,111.9
Foreign stocks and other securities	1,504.7	1,247.2
Loans	2,783.7	2,613.5
Ordinary loans	2,389.9	2,243.6
Real estate	791.6	782.0
Total	33,001.8	32,900.5
Foreign investments	9,617.5	10,113.6

Note: "Foreign investments" include yen-denominated assets.

C. Valuation gains and losses on trading securities

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings
Trading securities	50,191	2,122	59,348	1,232
Trading account securities	-	-	-	-
Money held in trust	50,191	2,122	59,348	1,232

D. Fair value information on securities (securities with fair value except for trading securities)

(millions of yen)

	Book value	Fair value	Gains (losses)		
			Gains	Losses	
As of March 31, 2017					
Held-to-maturity bonds	46,014	50,534	4,519	4,519	-
Domestic bonds	46,014	50,534	4,519	4,519	-
Foreign bonds	-	-	-	-	-
Policy-reserve-matching bonds	12,001,580	14,764,373	2,762,792	2,782,071	19,278
Domestic bonds	11,911,257	14,672,992	2,761,734	2,780,815	19,081
Foreign bonds	90,322	91,380	1,058	1,255	197
Stocks of subsidiaries and affiliates	304	302	(2)	7	10
Available-for-sale securities	14,459,160	17,184,631	2,725,470	2,865,886	140,416
Domestic bonds	3,617,249	4,094,982	477,733	485,227	7,493
Domestic stocks	1,647,671	3,335,538	1,687,866	1,712,564	24,698
Foreign securities	8,443,706	8,964,471	520,764	625,317	104,552
Foreign bonds	7,776,125	8,169,860	393,734	488,696	94,961
Foreign stocks and other securities	667,581	794,611	127,030	136,621	9,591
Other securities	514,139	547,427	33,288	36,687	3,398
Monetary claims bought	186,393	192,213	5,819	6,090	270
Certificates of deposit	50,000	49,998	(1)	-	1
Total	26,507,060	31,999,841	5,492,780	5,652,485	159,704
Domestic bonds	15,574,521	18,818,509	3,243,987	3,270,562	26,575
Domestic stocks	1,647,671	3,335,538	1,687,866	1,712,564	24,698
Foreign securities	8,534,167	9,055,980	521,813	626,573	104,759
Foreign bonds	7,866,447	8,261,240	394,793	489,951	95,158
Foreign stocks and other securities	667,719	794,739	127,020	136,621	9,601
Other securities	514,306	547,601	33,295	36,694	3,398
Monetary claims bought	186,393	192,213	5,819	6,090	270
Certificates of deposit	50,000	49,998	(1)	-	1
As of March 31, 2018					
Held-to-maturity bonds	46,316	50,160	3,844	3,844	-
Domestic bonds	46,316	50,160	3,844	3,844	-
Foreign bonds	-	-	-	-	-
Policy-reserve-matching bonds	12,000,296	14,752,205	2,751,908	2,761,454	9,545
Domestic bonds	11,911,976	14,660,488	2,748,511	2,758,057	9,545
Foreign bonds	88,319	91,716	3,397	3,397	-
Stocks of subsidiaries and affiliates	-	-	-	-	-
Available-for-sale securities	14,658,957	17,733,170	3,074,213	3,231,613	157,399
Domestic bonds	3,477,889	3,955,146	477,257	484,527	7,270
Domestic stocks	1,638,322	3,654,259	2,015,937	2,045,830	29,892
Foreign securities	8,879,653	9,434,163	554,510	670,671	116,161
Foreign bonds	8,021,597	8,432,205	410,607	509,570	98,962
Foreign stocks and other securities	858,055	1,001,958	143,903	161,101	17,198
Other securities	428,217	448,495	20,277	24,185	3,908
Monetary claims bought	184,874	191,108	6,234	6,397	163
Certificates of deposit	50,000	49,995	(4)	-	4
Total	26,705,569	32,535,536	5,829,967	5,996,912	166,945
Domestic bonds	15,436,182	18,665,796	3,229,613	3,246,429	16,815
Domestic stocks	1,638,322	3,654,259	2,015,937	2,045,830	29,892
Foreign securities	8,967,972	9,525,880	557,907	674,068	116,161
Foreign bonds	8,109,917	8,523,921	414,004	512,967	98,962
Foreign stocks and other securities	858,055	1,001,958	143,903	161,101	17,198
Other securities	428,217	448,495	20,277	24,185	3,908
Monetary claims bought	184,874	191,108	6,234	6,397	163
Certificates of deposit	50,000	49,995	(4)	-	4

Note: The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.

* Carrying amount of securities whose fair value is deemed extremely difficult to recognize is as follows:

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliates	58,751	74,923
Unlisted domestic stocks (except over-the-counter stocks)	12,684	12,787
Unlisted foreign stocks (except over-the-counter stocks)	-	-
Others	46,067	62,136
Available-for-sale securities	611,909	485,843
Unlisted domestic stocks (except over-the-counter stocks)	126,521	29,719
Unlisted foreign stocks (except over-the-counter stocks)	459,050	422,909
Unlisted foreign bonds	-	-
Others	26,337	33,214
Total	670,660	560,766

- Note: 1. The table above includes assets which are considered appropriate to handle as securities as defined in the Financial Instruments and Exchange Act.
2. The amounts of foreign exchange valuation gains/losses on foreign securities whose fair value is deemed extremely difficult to recognize and which are listed in the table above are as follows: loss of 1,746 million yen as of March 31, 2017 and loss of 2,768 million yen as of March 31, 2018.

(6) Fair Value Information on Money Held in Trust

(millions of yen)

	Carrying amount on the balance sheet	Fair value	Gains (losses)	Gains (losses)	
				Gains	Losses
As of March 31, 2017	50,191	50,191	2,024	17,996	15,971
As of March 31, 2018	59,348	59,348	1,362	9,293	7,930

Note: Fair value in the table above is based on the valuation conducted by the fiduciary on a reasonable basis.
"Gains (losses)" include gains (losses) from derivative transactions within the trusts.

* The Company held no balance for money held in trust classified as held-to-maturity, policy-reserve-matching and available-for-sale as of March 31, 2017 and March 31, 2018.

4. Unaudited Balance Sheet

(millions of yen)

	As of March 31, 2017	As of March 31, 2018		As of March 31, 2017	As of March 31, 2018
(ASSETS)			(LIABILITIES)		
Cash and deposits	438,454	474,030	Policy reserves and others	30,864,753	30,953,878
Cash	166	173	Reserves for outstanding claims	229,698	148,009
Bank deposits	438,287	473,857	Policy reserves	30,249,170	30,407,218
Call loans	98,500	164,600	Reserve for policyholder dividends	385,884	398,650
Monetary claims bought	192,213	191,108	Reinsurance payable	741	613
Money held in trust	50,191	59,348	Subordinated bonds	476,277	476,277
Securities	30,498,102	30,961,195	Other liabilities	1,004,764	1,054,754
Government bonds	14,084,907	14,011,465	Collateral for securities lending transactions	267,871	272,984
Local government bonds	109,098	119,575	Long-term debt and other borrowings	283,000	283,000
Corporate bonds	2,023,985	1,949,088	Corporate income tax payable	9,967	65,670
Stocks	3,666,952	3,883,612	Accounts payable	43,804	59,595
Foreign securities	9,868,430	10,290,811	Accrued expenses	48,088	46,898
Other securities	744,727	706,641	Unearned revenue	684	648
Loans	2,657,852	2,562,316	Deposits received	55,287	56,752
Policy loans	381,830	358,340	Guarantee deposits received	50,260	52,556
Ordinary loans	2,276,021	2,203,976	Differential account for futures trading	-	9
Tangible fixed assets	1,124,412	1,116,133	Derivatives	231,126	73,820
Land	772,021	770,567	Collateral for financial instruments	2,848	134,813
Buildings	343,658	338,612	Lease liabilities	4,956	4,091
Leased assets	4,923	3,966	Asset retirement obligations	2,674	2,665
Construction in progress	691	97	Suspense receipt	1,473	1,246
Other tangible fixed assets	3,117	2,889	Other liabilities	2,720	-
Intangible fixed assets	87,793	99,255	Reserve for employees' retirement benefits	380,870	392,948
Software	65,228	76,751	Reserve for retirement benefits of directors, executive officers and corporate auditors	1,498	1,384
Other intangible fixed assets	22,564	22,503	Reserve for possible reimbursement of prescribed claims	800	900
Reinsurance receivable	2,260	2,500	Reserve for price fluctuations	164,453	181,453
Other assets	434,994	601,617	Deferred tax liabilities	129,833	203,767
Accounts receivable	51,700	13,837	Deferred tax liabilities for land revaluation	77,236	76,438
Prepaid expenses	11,114	12,328	Acceptances and guarantees	103,786	108,514
Accrued revenue	156,736	162,982	Total liabilities	33,205,016	33,450,931
Deposits	41,368	41,221	(NET ASSETS)		
Margin money for futures trading	65,173	84,199	Capital stock	60,000	60,000
Differential account for futures trading	12	-	Capital surplus	470,000	470,000
Derivatives	73,403	249,599	Legal capital surplus	60,000	60,000
Suspense payment	4,865	5,899	Other capital surplus	410,000	410,000
Other assets	30,618	31,548	Retained earnings	31,230	166,041
Customers' liabilities for acceptances and guarantees	103,786	108,514	Other retained earnings	31,230	166,041
Reserve for possible loan losses	(1,472)	(994)	Reserve for tax basis adjustments of real estate	1,257	1,746
Reserve for possible investment losses	(444)	(436)	Retained earnings brought forward	29,972	164,295
			Total shareholders' equity	561,230	696,041
			Net unrealized gains (losses) on securities, net of tax	1,963,267	2,213,897
			Deferred hedge gains (losses)	(25,327)	(9,256)
			Reserve for land revaluation	(17,541)	(12,423)
			Total of valuation and translation adjustments	1,920,398	2,192,217
			Total net assets	2,481,628	2,888,259
Total assets	35,686,645	36,339,190	Total liabilities and net assets	35,686,645	36,339,190

5. Unaudited Statement of Earnings

(millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
ORDINARY REVENUES	3,946,774	3,791,933
Premium and other income	2,547,581	2,321,998
Premium income	2,546,708	2,321,134
Reinsurance income	873	864
Investment income	1,072,049	1,151,279
Interest and dividends	773,506	836,004
Interest from bank deposits	7,416	6,532
Interest and dividends from securities	628,036	695,803
Interest from loans	56,405	52,045
Rental income	70,696	71,352
Other interest and dividends	10,951	10,269
Gains on money held in trust	4,207	9,222
Gains on sale of securities	200,059	229,603
Gains on redemption of securities	38,258	21,669
Reversal of reserve for possible loan losses	-	259
Other investment income	1,231	1,341
Gains on investments in separate accounts	54,786	53,178
Other ordinary revenues	327,143	318,655
Fund receipt for annuity rider of group insurance	655	524
Fund receipt for claim deposit payment	270,929	207,277
Reversal of reserves for outstanding claims	30,606	81,689
Other ordinary revenues	24,952	29,163
ORDINARY EXPENSES	3,664,964	3,433,070
Benefits and claims	2,327,502	2,265,295
Claims	773,749	712,110
Annuities	535,014	497,368
Benefits	361,388	360,384
Surrender values	507,647	545,177
Other refunds	147,966	148,592
Ceding reinsurance commissions	1,737	1,661
Provision for policy reserves and others	273,344	166,356
Provision for policy reserves	264,959	158,048
Provision for interest on policyholder dividends	8,384	8,308
Investment expenses	286,301	290,370
Interest expenses	12,995	14,041
Losses on sale of securities	91,167	111,285
Losses on valuation of securities	24,814	825
Losses on redemption of securities	2,610	4,321
Derivative transaction losses	14,750	32,771
Foreign exchange losses	81,093	75,078
Provision for reserve for possible loan losses	248	-
Provision for reserve for possible investment losses	21	205
Write-down of loans	41	43
Depreciation of real estate for rent and others	13,765	13,270
Other investment expenses	44,794	38,527
Operating expenses	422,089	408,621
Other ordinary expenses	355,726	302,427
Claim deposit payments	278,833	219,685
National and local taxes	33,160	28,229
Depreciation	30,892	29,371
Provision for reserve for employees' retirement benefits	2,603	11,820
Other ordinary expenses	10,235	13,320
ORDINARY PROFIT	281,810	358,863
EXTRAORDINARY GAINS	4,976	514
Gains on disposal of fixed assets	4,976	514
EXTRAORDINARY LOSSES	43,934	30,111
Losses on disposal of fixed assets	13,892	1,263
Impairment losses on fixed assets	13,742	11,589
Provision for reserve for price fluctuations	16,000	17,000
Other extraordinary losses	299	257
Provision for reserve for policyholder dividends	85,000	95,000
Income before income taxes	157,851	234,266
Corporate income taxes-current	58,707	86,344
Corporate income taxes-deferred	(18,047)	(21,983)
Total of corporate income taxes	40,660	64,360
Net income	117,191	169,905

6. Unaudited Statement of Changes in Net Assets

Year ended March 31, 2017

(millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	
					Reserve for tax basis adjustments of real estate	Retained earnings brought forward
Balance at the beginning of the year	100	-	-	-	-	-
Changes for the year						
Increase due to corporate split	59,900	60,000	410,000	470,000		
Net income						32,382
Transfer to reserve for tax basis adjustments of real estate					1,257	(1,257)
Transfer from reserve for land revaluation						(1,151)
Net changes of items other than shareholders' equity						
Total changes for the year	59,900	60,000	410,000	470,000	1,257	29,972
Balance at the end of the year	60,000	60,000	410,000	470,000	1,257	29,972

(millions of yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Retained earnings	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments	
	Total retained earnings						
Balance at the beginning of the year	-	100	-	-	-	-	100
Changes for the year							
Increase due to corporate split		529,900					529,900
Net income	32,382	32,382					32,382
Transfer to reserve for tax basis adjustments of real estate	-	-					-
Transfer from reserve for land revaluation	(1,151)	(1,151)					(1,151)
Net changes of items other than shareholders' equity			1,963,267	(25,327)	(17,541)	1,920,398	1,920,398
Total changes for the year	31,230	561,130	1,963,267	(25,327)	(17,541)	1,920,398	2,481,528
Balance at the end of the year	31,230	561,230	1,963,267	(25,327)	(17,541)	1,920,398	2,481,628

Year ended March 31, 2018

(millions of yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	
					Reserve for tax basis adjustments of real estate	Retained earnings brought forward
Balance at the beginning of the year	60,000	60,000	410,000	470,000	1,257	29,972
Changes for the year						
Dividends						(29,972)
Net income						169,905
Transfer to reserve for tax basis adjustments of real estate					488	(488)
Transfer from reserve for land revaluation						(5,121)
Net changes of items other than shareholders' equity						
Total changes for the year	-	-	-	-	488	134,322
Balance at the end of the year	60,000	60,000	410,000	470,000	1,746	164,295

(millions of yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Retained earnings	Total shareholders' equity	Net unrealized gains (losses) on securities, net of tax	Deferred hedge gains (losses)	Reserve for land revaluation	Total of valuation and translation adjustments	
	Total retained earnings						
Balance at the beginning of the year	31,230	561,230	1,963,267	(25,327)	(17,541)	1,920,398	2,481,628
Changes for the year							
Dividends	(29,972)	(29,972)					(29,972)
Net income	169,905	169,905					169,905
Transfer to reserve for tax basis adjustments of real estate	-	-					-
Transfer from reserve for land revaluation	(5,121)	(5,121)					(5,121)
Net changes of items other than shareholders' equity			250,629	16,071	5,117	271,818	271,818
Total changes for the year	134,811	134,811	250,629	16,071	5,117	271,818	406,630
Balance at the end of the year	166,041	696,041	2,213,897	(9,256)	(12,423)	2,192,217	2,888,259

I. NOTES TO THE UNAUDITED BALANCE SHEET AS OF MARCH 31, 2018

1. Valuation Methods of Securities

Securities held by the Company including cash and deposits and monetary claims bought which are equivalent to marketable securities, and marketable securities managed as trust assets in money held in trust, are carried as explained below:

The amortization of premiums and accretion of discounts is calculated by the straight-line method.

(1) Trading Securities

Trading securities are carried at fair value with cost determined by the moving average method.

(2) Held-to-maturity Bonds

Held-to-maturity bonds are stated at amortized cost determined by the moving average method.

(3) 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 Japanese Institute of Certified Public Accountants (JICPA))

Policy-reserve-matching bonds are stated at amortized cost determined by the moving average method.

(4) Stocks of Subsidiaries and Affiliated Companies

Stocks of subsidiaries and affiliated companies are stated at cost determined by the moving average method.

(5) Available-for-sale Securities

a) Available-for-sale Securities with Fair Value

Available-for-sale securities which have market value are valued at fair value at the end of the fiscal year (for domestic stocks, the average value during March), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Fair Values are Extremely Difficult to Recognize

i) Government/Corporate Bonds (including foreign bonds), Whose Premium or Discount Represents the Interest Adjustment

Government/corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustment are valued at the amortized cost determined by the moving average method.

ii) Others

All other securities are valued at cost determined by the moving average method.

Net unrealized gains or losses on these available-for-sale securities are presented as a separate component of net assets and not in the statement of earnings.

2. Risk Management Policy of Policy-reserve-matching Bonds

The Company categorizes its insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulates its policy on investments and resource allocation based on the balance of the sub-groups. Moreover, it periodically checks that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range.

The sub-groups of insurance products are:

- a) individual life insurance and annuities,
- b) non-participating single premium whole life insurance (without duty of medical disclosure),
- c) financial insurance and annuities, and
- d) group annuities

with the exception of certain types.

3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

4. Revaluation of Land

Based on the “Act on Revaluation of Land” (Act No.34, March 31, 1998), land for business use was revalued. The difference between the fair value and book value resulting from the revaluation, net of related

deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

(2) Method stipulated in Article 3, Paragraph 3 of the Act on Revaluation of Land;

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No.119, March 31, 1998).

5. Depreciation of Depreciable Assets

(1) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets is calculated by the declining balance method (the depreciation of buildings (other than facilities attached to buildings and structures that were acquired on or before March 31, 2016) is calculated by the straight-line method) .

Estimated useful lives of major assets are as follows:

Buildings	two to sixty years
Other tangible fixed assets	two to twenty years

Tangible fixed assets other than land, buildings and leased assets that were acquired for ¥100,000 or more but less than ¥200,000 are depreciated at equal amounts over three years.

With respect to tangible fixed assets that were acquired on or before March 31, 2007 and that were fully depreciated to their original depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years from the following fiscal year of the year in which they reached the original depreciable limit.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company uses the straight-line method for amortization of intangible fixed assets excluding leased assets. Software for internal use is amortized by the straight-line method based on the estimated useful lives of five years.

(3) Depreciation of Leased Assets

Depreciation for leased assets with regard to finance leases whose ownership does not transfer to the lessees is computed under the straight-line method assuming zero salvage value and using the lease period as the useful life.

(4) Accumulated Depreciation of Tangible Fixed Assets

The amount of accumulated depreciation of tangible fixed assets as of March 31, 2018 was ¥621,852 million.

6. Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen

The Company translated foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates at the end of the year. Stocks of subsidiaries and affiliated companies were translated into yen at the exchange rates on the dates of acquisition.

7. Reserve for Possible Loan Losses

The reserve for possible loan losses is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

For loans to and claims on obligors that have already experienced bankruptcy, reorganization, or other formal legal failure (hereinafter, “bankrupt obligors”) and loans to and claims on obligors that have suffered substantial business failure (hereinafter, “substantially bankrupt obligors”), the reserve is calculated by deducting the estimated recoverable amount of the collateral or guarantees from the book value of the loans and claims after the direct write-off described below.

For loans to and claims on obligors that have not yet suffered business failure but are considered highly likely to fail, the reserve is calculated taking into account a) the recoverable amount covered by the collateral or guarantees and b) an overall assessment of the obligor’s ability to repay.

For other loans and claims, the reserve is calculated by multiplying the actual rate or other appropriate rate of losses from bad debts during a certain period in the past by the amount of the loans and claims.

For all loans and claims, the relevant department in the Company performs an asset quality assessment based on the internal rules for self-assessment, and an independent audit department audits the result of the assessment. The above reserves are established based on the result of this assessment.

For loans and claims to bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2018 was ¥6 million.

8. Reserve for Employees' Retirement Benefits

For the reserve for employees' retirement benefits, the amount is provided based on the projected benefit obligations and pension assets as of March 31, 2018.

Accounting treatment of retirement benefit obligations and retirement benefit expenses are as follows:

(1) Allocation of Estimated Retirement Benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefit for the fiscal year ended March 31, 2018.

(2) Amortization of Actuarial Differences

Actuarial differences are amortized under the straight-line method over a certain period (seven years) within the employees' average remaining service period, starting from the following year.

9. Reserve for Possible Investment Losses

In order to provide for future investment losses, a reserve for possible investment losses of the Company is established for securities whose fair values are extremely difficult to recognize. It is calculated based on the internal rules for self-assessment, write-offs, and reserves on assets.

10. Reserve for Retirement Benefits of Directors, Executive Officers and Corporate Auditors

For the reserve for retirement benefits of directors, executive officers and corporate auditors, an estimated amount for future payment pursuant to the internal policies is provided.

11. Reserve for Possible Reimbursement of Prescribed Claims

To prepare for the reimbursement of claims for which prescription periods had expired, an estimated amount for reserve for possible reimbursement of prescribed claims based on past reimbursement experience is provided.

12. Reserve for Price Fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

13. Methods for Hedge Accounting

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No. 10). Primarily, i) special hedge accounting and the deferral hedge method for interest rate swaps are used for cash flow hedges of certain loans, government and corporate bonds, loans payable and bonds payable; ii) the currency allotment method and the deferral hedge method using foreign currency swaps and foreign currency forward contracts are used for cash flow hedges against exchange rate fluctuations in certain foreign currency-denominated bonds, loans, loans payable and bonds payable and certain foreign currency-denominated term deposits and stocks (forecasted transaction); iii) the fair value hedge method using currency options and foreign currency forward contracts is used for hedges against exchange rate fluctuations in the value of certain foreign currency-denominated bonds; iv) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest rate fluctuations in certain foreign currency-denominated bonds; and v) the deferral hedge method and fair value hedge method using equity options and equity forward contracts are used for hedges against price fluctuations in the value of certain domestic stocks and foreign currency-denominated stocks (forecasted transaction). and vi) the deferral hedge method using interest rate swaps is used for hedges against interest rate fluctuations in certain insurance liabilities, under the "Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators" (Industry Audit Committee Report No. 26 issued by the JICPA).

(2) Hedging Instruments and Hedged Items

<u>Hedging instruments</u>	<u>Hedged items</u>
Interest rate swaps	Loans, government and corporate bonds, loans payable, bonds payable, insurance liabilities
Foreign currency swaps	Foreign currency-denominated bonds, foreign currency-denominated loans, foreign currency-denominated loans payable, foreign currency-denominated bonds payable
Foreign currency forward contracts	Foreign currency-denominated bonds, foreign currency-denominated term deposits, foreign currency-denominated stocks (forecasted transaction)
Currency options	Foreign currency-denominated bonds
Bond over-the-counter options.....	Foreign currency-denominated bonds
Equity options	Domestic stocks, foreign currency-denominated stocks (forecasted transaction)
Equity forward contracts	Domestic stocks

(3) Hedging Policies

The Company conducts hedging transactions with regard to certain market risk and foreign currency risk of underlying assets to be hedged, in accordance with the internal investment policy and procedure guidelines.

(4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed primarily by a comparison of fluctuations in cash flows or fair value of hedged items to those of the hedging instruments.

14. Calculation of National and Local Consumption Tax

The Company accounts for national and local consumption tax by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as a prepaid expense and amortized equally over five years in accordance with the Ordinance for Enforcement of the Corporation Tax Act, and such taxes other than deferred consumption tax are recognized as an expense when incurred.

15. Policy Reserve

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as stated in (1) and (2) below. Policy reserves include additional policy reserves for some whole life insurance policies in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- (1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (Notification of the Minister of Finance No.48, 1996).
- (2) Reserves for other policies are established based on the net level premium method.

16. Financial Instruments and Others

(1) Financial Instruments

a) Policies in Utilizing Financial Instruments

In an effort to manage investment assets in a manner appropriate to liabilities, which arise from the insurance policies underwritten, the company engages in asset liability management, or ALM, which considers the long-term balance between assets and liabilities to ensure stable returns. With this strategy, the Company holds fixed income investments, including bonds and loans, as the core of its asset portfolio. While placing its financial soundness first, the Company also holds stocks and foreign securities within its tolerable risk to enhance its profitability and facilitate diversification of investment risks.

The Company uses derivatives primarily to hedge market risks associated with its existing asset portfolio and supplement its investment objectives, taking into account the exposure of underlying assets.

With respect to financing, the Company has raised capital directly from the capital markets by issuing subordinated bonds as well as indirectly from banks in order to strengthen its capital base. To

avoid impact from interest rate fluctuations, the Company utilizes derivative transactions in hedging some of such financial liabilities and adopts hedge accounting.

b) Financial Instruments Used and Their Risks

Securities included in financial assets of the Company, mainly stocks and bonds, are categorized by its investment objectives such as held-to-maturity securities, policy-reserve-matching securities and available-for-sale securities. Those securities are exposed to market fluctuation risk, credit risk and interest rate risk and some of the securities denominated in foreign currency are exposed to foreign currency risk. Also, loans are exposed to credit risk arising from the defaults of obligors.

The Company might be exposed to liquidity risk in certain circumstances in which it cannot make timely payments of principal, interest or other amounts due to unpredictable cash outflows or is forced to raise capital with interest rates substantially higher than usual. Also, some of its loans payable and bonds payable which are floating interest rate based and denominated in foreign currency are exposed to interest rate risk and foreign currency risk.

The Company utilizes i) interest rate swaps to hedge interest rate risk associated with certain of its loans receivable and payable, ii) equity forward contracts to hedge market fluctuation risks associated with domestic stocks, and iii) foreign currency forward contracts, currency options and foreign currency swaps to hedge foreign currency risks associated with certain foreign currency-denominated bonds, foreign currency-denominated short-term deposits and foreign currency-denominated debts, etc. and adopt hedge accounting.

In addition, the company utilizes iv) interest rate swaps to hedge interest rate risk associated with certain insurance liabilities, under the “Accounting and Auditing Treatment of Application of Accounting Standard for Financial Instruments to Insurance Operators” (JICPA Industry Audit Committee Report No. 26).

In applying the hedge accounting, in order to fulfill requirements stipulated in the “Accounting standards for financial instruments” (ASBJ Statement No. 10), the Company has established investment policy and procedure guidelines and clarified the transactions to be hedged, the risk of underlying assets to be hedged and derivative instruments to be used, and conducted pre- and post-effectiveness tests of the transactions.

c) Risk Management

The risk management system of the Company is as follows:

i) Market Risk Management

Under the internal investment policy and market risk management policy, the Company manages market risk by conducting mid- to long-term asset allocation in a manner appropriate to its liabilities. Therefore, it categorizes its portfolio into sub-groups, based on their investment purpose, and manages them taking into account each of their risk characteristics.

(a) Interest rate risk

The Company keeps track of interest rates and durations of its assets and liabilities, monitors its internal analyses on duration gap and interest rate sensitivity, and periodically reports its findings to the board of directors, etc.

(b) Currency risk

The Company keeps track of currency composition of its financial assets and liabilities, conducts sensitivity analyses, and periodically reports its findings to the board of directors, etc.

(c) Fluctuation in market values

The Company defines risk management policies and management procedures for each component of its overall portfolio, including securities and specific risk management procedures, based on the risk characteristics of the categories, and set and manages upper limits of each asset balance and asset allocation weight.

Such management conditions are periodically reported by its risk management sections to the board of directors, etc.

(d) Derivative transactions

For derivative transactions, the Company has established internal check system by segregating i) executing department, ii) the department which engages in assessment of hedge effectiveness, and iii) the back-office. Additionally, in order to limit speculative use of derivatives, the Company has put restrictions on utilization purpose, such as hedging, and establishes position limits for each asset class.

ii) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, the Company has established a credit management system related to loans, such as preliminary reviews on individual transactions, credit limit setting, credit information management, internal credit rating, attachment of guarantees and collateral, and follow-ups on problem loans. For corporate bond investment, the credit section sets investment caps on individual issuers taking into account internal credit ratings and other factors. Excessive risk-taking is restricted since front offices make investment within those caps. Policies and framework for large-lot borrowers have been formulated in order to prevent credit concentration by monitoring compliance, etc. That credit management has been conducted by the credit and risk management sections, and has been periodically reported to the board of directors, etc. Additionally, the internal audit section has also checked credit management status.

Credit risk of security issuers and counterparty risk with respect to derivative transactions are managed by the credit section, which sets upper limits for each counterparty and financial instrument and periodically monitors credit information, and by the risk management section, which periodically calculates current exposures.

d) Supplementary Explanation for Fair Value of Financial Instruments

As well as the values based on market prices, fair value of financial instruments includes values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.

(2) Fair Value of Financial Instruments

The carrying amount on the balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2018 were as follows. The following tables do not include financial instruments whose fair value is extremely difficult to recognize. (Please refer to (Note 2))

As of March 31, 2018	Carrying amount	Fair value	Gains (Losses)
(Unit: million yen)			
(1) Cash and deposits	474,030	474,030	-
(2) Call loans	164,600	164,600	-
(3) Monetary claims bought	191,108	191,108	-
(4) Money held in trust	59,348	59,348	-
(5) Securities			
a. Trading securities	864,517	864,517	-
b. Held-to-maturity bonds	46,316	50,160	3,844
c. Policy-reserve-matching bonds	12,000,296	14,752,205	2,751,908
d. Stock of subsidiaries and affiliate companies ..	-	-	-
e. Available-for-sale securities	17,492,065	17,492,065	-
(6) Loans	2,562,316		
Reserve for possible loan losses (*1)	(549)		
	2,561,767	2,683,428	121,660
Total assets	33,854,051	36,731,465	2,877,413
(1) Bonds payable	476,277	480,919	4,642
(2) Long-term borrowings	283,000	287,757	4,757
Total liabilities	759,277	768,676	9,399
Derivative transactions (* 2)			
a. Hedge accounting not applied	7,418	7,418	-
b. Hedge accounting applied	168,360	166,008	(2,351)
Total derivative transactions	175,778	173,426	(2,351)

(*1) Excluding general reserves for possible loan losses and reserves for possible loan losses related to loans.

(*2) Credits/debts from derivative transactions are presented on a net basis. Figures in [] are net debts.

(Note 1) Notes to Methods for Calculating Fair Value of Financial Instruments, Securities and Derivative Transactions

- Assets

- a) Cash and deposits

- Since deposits are close to maturity or have no maturity and their fair value is close to the carrying amounts, fair value is based on the carrying amount.

- b) Call loans

- Since all call loans are close to the due date and their fair value is close to their carrying amounts, fair value of call loans is based on their carrying amount.

- c) Monetary claims bought

- The fair value of monetary claims bought is based on the reasonably calculated prices.

- d) Money held in trust

- The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price.

- e) Securities

- The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price. As for ownership stakes in partnerships, the amount equivalent to partnership interest in fair value of the partnership assets is recorded as fair value of the stake in the partnership.

- f) Loans

- The fair value of loans is calculated by discounting future cash flows of the subject loan, using interest rates corresponding to the internal credit rating and remaining period which are assumed to be applied to new loans to the subject borrower.

- Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the balance sheet minus reserve for possible loan losses at the end of the fiscal year. Therefore, that amount (the carrying amount on the balance sheet minus reserve for possible loan losses) is recorded as fair value of risk-monitored loans.

- Also, loans without a due date because of their characteristics that their exposure is limited to the amount of their collaterals are deemed to have fair value close to book value, taking into account estimated repayment period and interest rates. Therefore, their book value is recorded as the fair value.

- Liabilities

- a) Bonds payable

- The fair value of bonds is based on the price on the bond market.

- b) Long-term borrowings

- The fair value of long-term borrowings is calculated by discounting future cash flows, using interest rates corresponding to internal credit rating and remaining periods which are assumed to be applied to new borrowings.

- Derivative Transactions

- The breakdown of derivative transactions is a) currency-related transactions; b) interest-related transactions; c) stock-related transactions; and d) bond-related transactions, etc. The fair value of the instruments is based on the prices on derivatives markets and the prices quoted from financial institution, etc.

(Note 2) Financial instruments whose fair value is extremely difficult to recognize are as follows and are not included in the fair value of e) Securities in (Note 1)

As of March 31, 2018	Carrying amount (Unit: million yen)
1. Unlisted domestic stocks (*1)(*2)	42,506
2. Unlisted foreign stocks (*1)(*2).....	23,641
3. Other foreign securities (*1)(*2).....	396,500
4. Other securities (*1)(*2).....	95,350
Total	557,998

(*1) These securities cannot be assigned a market value because of the unavailability of tradable markets, and they are excluded from the disclosure of market value information.

(*2) The Company recorded impairment charges of ¥375 million for the fiscal year ended March 31, 2018

17. Real Estate for Rent

The Company owns a number of commercial buildings, including land, for rent in various locations, including Tokyo. Net rental income from such real estate for rent for the fiscal year ended March 31, 2018 was ¥32,603 million. The rental income was included in investment income and the rental expense was included in investment expenses. The Company recorded impairment loss of ¥11,505 million on rental real estate as extraordinary losses for the fiscal year ended March 31, 2018.

The carrying amount, net change during the year and the fair value of such rental real estate were as follows:

Fiscal year ended March 31, 2018	(Unit: million yen)
Carrying amount	
Beginning balance	795,164
Net change during year	9,438
Ending balance	804,603
Fair value	958,825

(*1)The carrying amount of rental real estate on the balance sheet was acquisition costs net of accumulated depreciation and impairments.

(*2)Net change in the carrying amount includes cost of acquisition of the real estate of ¥23,038 million, depreciation expense of ¥13,262 million, impairment loss of ¥11,505 million and sale of the real estate of ¥1,931 million.

(*3)The Company calculates the fair value of the majority of the rental real estate based on real estate appraisal standards and assessment by an independent appraiser, and others based on internal but reasonable estimates.

18. Securities Lending

Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of March 31, 2018 was ¥1,578,947 million.

19. Problem Loans

As of March 31, 2018, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans were as follows:

	(Unit: million yen)
Credits to bankrupt borrowers.....	115
Delinquent loans.....	2,537
Loans past due for three months or more.....	-
Restructured loans.....	4
Total	2,657

Credits to bankrupt borrowers represent non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3, (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order 97, 1965). Interest accruals of such loans are suspended since the principal of or interest on such loans is unlikely to be collected.

Delinquent loans are credits that are delinquent other than credits to bankrupt borrowers and loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their businesses.

Loans past due for three months or more are loans for which interest or principal payments are delinquent for three months or more under the terms of the loans excluding those classified as credits to bankrupt borrowers or delinquent loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reductions or exemptions, postponement of principal or interest payments, release from repayment or other agreements have been negotiated for the purpose of assisting and supporting the borrowers in the restructuring of their businesses. This category excludes loans classified as credits to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

As a result of the direct write-off of loans described in Note 7, the decreases in credits to bankrupt borrowers and delinquent loans were as follows:

	(Unit: million yen)
Credits to bankrupt borrowers	3
Delinquent loans	3

20. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act was ¥1,185,829 million. Separate account liabilities were the same amount as the separate account assets.

21. Receivables from and Payables to Subsidiaries and Affiliated Companies

The total amounts of receivables from and payables to subsidiaries and affiliated companies were ¥31,602 million and ¥5,164 million, respectively.

22. Deferred Tax Accounting

(1) Major components of deferred tax assets and liabilities as of March 31, 2018

	(Unit: million yen)
Deferred tax assets:	
Policy reserves and others	461,670
Reserve for employees' retirement benefits	133,757
Reserve for price fluctuations	50,661
Impairment losses	11,857
Losses on valuation of securities	5,539
Others	24,807
<u>Subtotal</u>	<u>688,293</u>
<u>Valuation allowances</u>	<u>(12,318)</u>
<u>Total</u>	<u>675,975</u>
Deferred tax liabilities:	
Net unrealized gains on securities, net of tax	(847,380)
Reserve for tax basis adjustments of real estate	(9,683)
Accrued dividend receivables	(8,665)
Others	(14,012)
<u>Total</u>	<u>(879,742)</u>
<u>Net deferred tax liabilities</u>	<u>(203,767)</u>

(2) The principal reasons for the difference between the statutory tax rate and actual effective tax rate after considering deferred taxes as of March 31, 2018

Statutory tax rate	28.16 %
(Adjustments)	
Decrease in valuation allowances	(0.64%)
Others	(0.05%)
<u>Actual effective tax rate after considering deferred taxes</u>	<u>27.47 %</u>

23. Contingent Liabilities

Guarantee for debt obligations of a separate company were as follows:

	(Unit: million yen)
Dai-ichi Life Holdings, Inc.	450,000

24. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

	(Unit: million yen)
Balance at the beginning of the fiscal year.....	385,884
Dividends paid during the fiscal year.....	(90,542)
Interest accrual during the fiscal year.....	8,308
Provision for reserve for policyholder dividends.....	95,000
<u>Balance at the end of the fiscal year.....</u>	<u>398,650</u>

25. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of subsidiaries and affiliated companies of the Company held as of March 31, 2018 was ¥74,923 million.

26. Organization Change Surplus

As of March 31, 2018, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

27. Assets Pledged as Collateral / Secured Liabilities

The amounts of securities, cash and deposits pledged as collateral were as follows:

	(Unit: million yen)
Securities	265,609
Cash and deposits	86
<u>Securities and cash and deposits pledged as collateral ...</u>	<u>265,696</u>

The amounts of secured liabilities were as follows:

	(Unit: million yen)
Cash collateral for securities lending transactions	272,984

“Securities” pledged as collateral for securities lending transactions with cash collateral as of March 31, 2018 was ¥226,296 million.

28. Reinsurance

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter “reserves for outstanding claims reinsured”) was ¥2 million. The amount of policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance (hereinafter “policy reserves reinsured”) was ¥0 million.

29. Net Assets per Share

The amount of net assets per share of the Company as of March 31, 2018 was ¥481,376,520. 53.

30. Employees’ Retirement Benefits

(1) Overview of Employees’ Retirement Benefit Plan

As a defined benefit plan for its sales representatives, the Company has established and maintained a benefit plan consisting of retirement lump sum grants and company administered pension.

For its administrative personnel, the Company has established and maintained a benefit plan consisting of defined benefit corporate pension and retirement lump sum grants as a defined benefit plan and defined contribution pension as a defined contribution plan.

(2) Defined Benefit Plans

a) Reconciliations of beginning and ending balances of projected benefit obligations

(Unit: million yen)

a.	Beginning balance of the projected benefit obligations	693,819
b.	Service cost	27,862
c.	Interest cost	2,078
d.	Accruals of actuarial (gains) and losses	3,073
e.	Payment of retirement benefits	(32,659)
f.	Others	(1,109)
g.	<u>Ending balance of the projected benefit obligation (a + b + c + d + e + f).....</u>	<u>693,065</u>

b) Reconciliations of beginning and ending balances of pension assets

(Unit: million yen)

a.	Beginning balance of pension assets	285,308
b.	Estimated return on assets	381
c.	Accruals of actuarial (gains) and losses	17,928
d.	Contribution from the employer	7,129
e.	Payment of retirement benefits	(20,215)
f.	<u>Ending balance of pension assets (a + b + c + d + e).....</u>	<u>290,532</u>

c) Reconciliations of year-end balance of projected benefit obligations and pension assets, and net defined benefit liabilities and assets that have been recorded in the balance sheet

(Unit: million yen)

a.	Projected benefit obligation for funded pensions	378,425
b.	<u>Pension assets</u>	<u>(290,532)</u>
c.	Subtotal (a + b)	87,892
d.	<u>Projected benefit obligation for unfunded pensions</u>	<u>314,639</u>
e.	<u>Unrecognized actuarial differences</u>	<u>(9,583)</u>
f.	<u>Net of assets and liabilities recorded in the balance sheet (c + d + e).....</u>	<u>392,948</u>

d) Amount of the components of retirement benefit expenses

(Unit: million yen)

a.	Service cost	27,862
b.	Interest cost	2,078
c.	Expected return on assets	(381)
d.	Amortization of unrecognized actuarial differences	3,001
e.	Others	257
f.	<u>Retirement benefit expenses for defined benefit plans (a + b + c + d + e).....</u>	<u>32,818</u>

e) Pension assets

Ratios of the major assets to the total pension assets are as follows:

Stocks	59%
Asset under joint management	16%
Bonds	9%
Life insurance general account	8%
<u>Others</u>	<u>8%</u>
<u>Total</u>	<u>100%</u>

The proportion of retirement benefit trust to total pension assets that has been set for the retirement lump sum grants as of March 31, 2018 was 55%.

f) The method for setting the expected long-term rate of return on pension assets

To determine the expected long-term rate of return on pension assets, the Company has taken into account the allocation of pension assets at present and in future, and long-term rate of return on a variety of assets that make up the pension assets at present and in future.

g) Calculation basis of actuarial gains and losses	
Major assumptions of basis of actuarial calculation as of March 31, 2018 are as follows:	
Discount rate	0.30%
Expected long-term rate of return	
Defined benefit corporate pension	0.30%
Employee pension trust	0.00%

(3) **Defined Contribution Plans**

Required amount of contribution to defined contribution plans for the fiscal year ended March 31, 2018 is ¥1,556 million.

31. Securities Borrowing

Of securities borrowed under borrowing agreements, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of March 31, 2018 was ¥64,444 million, among which none of the securities were pledged as collateral.

32. Commitment Line

As of March 31, 2018, there were unused commitment line agreements under which the Company was the lender of ¥45,592 million.

33. Subordinated Debt

As of March 31, 2018, other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

34. Subordinated Bonds

As of March 31, 2018, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million, the repayment of which is subordinated to other obligations.

35. Obligations to the Life Insurance Policyholders Protection Corporation of Japan

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2018 were ¥47,606 million. These obligations will be recognized as operating expenses in the period in which they are paid.

II. NOTES TO THE UNAUDITED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2018

1. Revenues and Expenses from Transactions with Subsidiaries and Affiliated Companies

The total amounts of revenues and expenses from transactions with subsidiaries and affiliated companies were ¥5,378 million and ¥21,048 million, respectively.

2. Gains/Losses on Sale of Securities, Losses on Valuation of Securities

Gains on sale of securities included gains on sale of domestic bonds, domestic stocks, foreign securities and other securities of ¥134,364 million, ¥51,614 million, ¥43,579 million and ¥44 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥4,765 million, ¥7,997 million, ¥98,299 million and ¥222 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥741 million and ¥83 million, respectively.

3. Reinsurance

In calculating the reversal of reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥3 million was subtracted. In calculating the provision for policy reserves, a provision for reserves for policy reserves reinsured of ¥0 million was subtracted.

4. Gains/Losses on Money Held in Trust

Gains on money held in trust included gains on valuation of securities of ¥1,232 million.

5. Derivative Transaction Gains/Losses

Derivative transaction losses included gains on valuation of ¥11,784 million.

6. Net Income per Share

Net income per share for the fiscal year ended March 31, 2018 was ¥28,317,569.09. Diluted net income per share for the same period is not presented because there were no existing diluted shares.

7. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the fiscal year ended March 31, 2018 were as follows:

(1) Method of Grouping Assets

Real estate and other assets used for insurance business purposes are recognized as one asset group. Each property for rent and property not in use, which is not used for insurance business purposes, is deemed to be an independent asset group.

(2) Background for Recognition of Impairment Losses

As a result of significant declines in profitability or market value of some asset groups, the Company wrote down the book value of these assets to the recoverable value, and reported such write-off as impairment losses in extraordinary losses.

(3) Breakdown of Impairment Losses

Impairment losses by asset group for the fiscal year ended March 31, 2018 were as follows:

Asset Group	Place	Number	Impairment Losses		
			Land	Buildings	Total
(Unit: million yen)					
Real estate not in use	Chuo City, Tokyo and others	46	7,961	3,627	11,589

(4) Calculation of Recoverable Value

Value in use or net sale value is used as the recoverable value of real estate for rent, and net sale value is used as the recoverable value of real estate not in use. A discount rate of 2.34% for the fiscal year ended March 31, 2018 was applied for discounting future cash flows in the calculation of value in use. Estimated disposal value, appraisal value based on real estate appraisal standards, or appraisal value based on publicly assessed land value for tax purposes is used as the net sale value.

III. NOTES TO THE UNAUDITED STATEMENT OF CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED MARCH 31, 2018

1. Number of Shares Outstanding

	At the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	At the end of the fiscal year
Common Stock	6,000	-	-	6,000

2. Dividends on Common Stock

(1) Dividends

Date of resolution	June 21, 2017 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥29,972 million
Dividends per share	¥4,995,400
Record date	March 31, 2017
Effective date	June 22, 2017
Dividend resource	Retained earnings

(2) Dividends to be paid out in the year ending March 31, 2019

Date of resolution	June 20, 2018 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥135,862 million
Dividends per share	¥22,643,700
Record date	March 31, 2018
Effective date	June 21, 2018
Dividend resource	Retained earnings

Date of resolution	June 20, 2018 (at the Annual General Meeting of Shareholders)
Type of shares	Common stock
Total dividends	¥49,999 million
Dividends per share	¥8,333,300
Record date	March 31, 2018
Effective date	June 21, 2018
Dividend resource	Capital surplus

7. Breakdown of Ordinary Profit (Fundamental Profit)

(millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Fundamental revenues	3,742,507	3,553,101
Premium and other income	2,547,581	2,321,998
Investment income	867,782	912,447
[Interest and dividends]	773,506	836,004
Other ordinary revenues	327,143	318,655
Other fundamental revenues (a)	-	-
Fundamental expenses	3,350,857	3,124,044
Benefits and claims	2,327,502	2,265,295
Provision for policy reserves and others	170,574	77,376
Investment expenses	74,415	70,160
Operating expenses	422,089	408,621
Other ordinary expenses	355,726	302,427
Other fundamental expenses (b)	549	163
Fundamental profit ^(Note 1)	A 391,650	429,057
Capital gains	204,815	238,989
Gains on money held in trust	4,207	9,222
Gains on investments in trading securities	-	-
Gains on sale of securities	200,059	229,603
Derivative transaction gains	-	-
Foreign exchange gains	-	-
Others (c)	549	163
Capital losses	211,825	219,961
Losses on money held in trust	-	-
Losses on investments in trading securities	-	-
Losses on sale of securities	91,167	111,285
Losses on valuation of securities	24,814	825
Derivative transaction losses	14,750	32,771
Foreign exchange losses	81,093	75,078
Others (d)	-	-
Net capital gains (losses) ^(Note 1)	B (7,009)	19,028
Fundamental profit plus net capital gains (losses)	A + B 384,640	448,085
Other one-time gains	-	6
Reinsurance income	-	-
Reversal of contingency reserve	-	-
Reversal of specific reserve for possible loan losses	-	6
Others	-	-
Other one-time losses	102,830	89,228
Ceding reinsurance commissions	-	-
Provision for contingency reserve	18,000	4,400
Provision for specific reserve for possible loan losses	(1)	-
Provision for specific reserve for loans to refinancing countries	-	-
Write-down of loans	41	43
Others ^(Note 2)	84,791	84,784
Other one-time profits (losses)	C (102,830)	(89,222)
Ordinary profit	A + B + C 281,810	358,863

Note 1: Beginning from disclosures for fiscal year 2017, the disclosure method of the breakdown of ordinary profit relating to the effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance and the effect of change in the exchange rates related to foreign currency denominated insurance contracts have been modified. The figures for the fiscal year ended March 31, 2017 were also re-calculated based on the modified disclosure method. As a result, compared to before the modification, fundamental profit decreased by 549 million yen and net capital gains increased by 549 million yen for the fiscal year ended March 31, 2017.

2: "Others" in "Other one-time losses" represents the sum of the amount of provision for reserve for possible investment losses (For the fiscal year ended March 31, 2017: 21 million yen, For the fiscal year ended March 31, 2018: 205 million yen) and the amount of the additional policy reserves provided (For the fiscal year ended March 31, 2017: 84,770 million yen, For the fiscal year ended March 31, 2018: 84,579 million yen) in accordance with Article 69, Paragraph 5 of the Enforcement Regulations of the Insurance Business Act.

(Reference) Breakdown of other fundamental revenues, etc.

(millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Other fundamental revenues (a)	-	-
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	-	-
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	-
Other fundamental expenses (b)	549	163
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	361	107
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	187	55
The impact on fundamental profit <i>(a) - (b)</i>	(549)	(163)
Other capital gains (c)	549	163
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	361	107
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	187	55
Other capital losses (d)	-	-
The effect of provision for (reversal of) policy reserve associated with market value adjustments of fixed life insurance	-	-
The effect of change in the exchange rates related to foreign currency denominated insurance contracts	-	-
The impact on net capital gains (losses) <i>(c) - (d)</i>	549	163

8. Disclosed Claims Based on Categories of Obligors

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
Claims against bankrupt and quasi-bankrupt obligors	128	115
Claims with collection risk	2,569	2,537
Claims for special attention	24	4
Subtotal	2,722	2,657
[Percentage]	[0.06%]	[0.06%]
Claims against normal obligors	4,584,681	4,262,082
Total	4,587,404	4,264,739

- Note:
1. Claims against bankrupt and quasi-bankrupt obligors are loans to borrowers who are subject to bankruptcy, corporate reorganization or rehabilitation or other similar proceedings and other borrowers in serious financial difficulties.
 2. Claims with collection risk are loans to obligors (other than bankrupt and quasi-bankrupt obligors) with deteriorated financial condition and results of operations from which it is unlikely that the principal and interest on the loans will be recovered.
 3. Claims for special attention are loans on which principal and/or interest are past due for three months or more and loans with a concessionary interest rate, as well as loans with renegotiated conditions in favor of the borrower, including renegotiated schedule and/or waivers, in each case, other than the loans described in note 1. or 2. above.
 4. Claims against normal obligors are all other loans.

9. Solvency Margin Ratio

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
Total solvency margin (A)	5,936,832	6,328,252
Common stock, etc. *1	527,591	506,935
Reserve for price fluctuations	164,453	181,453
Contingency reserve	594,093	598,493
General reserve for possible loan losses	737	483
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *2	2,446,154	2,770,215
Net unrealized gains (losses) on real estate × 85% *2	113,883	155,521
Policy reserves in excess of surrender values	2,019,361	2,133,716
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(709,214)	(816,184)
Excluded items	(4,000)	(4,000)
Others	24,495	42,340
Total risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	1,396,021	1,435,172
Insurance risk R_1	70,408	66,458
3rd sector insurance risk R_8	177,428	185,798
Assumed investment yield risk R_2	223,664	213,601
Guaranteed minimum benefit risk R_7 *3	3,215	3,019
Investment risk R_3	1,114,653	1,163,041
Business risk R_4	31,787	32,638
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	850.5%	881.8%

*1: Expected disbursements from capital outside the Company and valuation and translation adjustments are excluded.

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

Note: The figures are calculated based on Articles 86, 87 of the Enforcement Regulations of Insurance Business Act, and Announcement No. 50, Ministry of Finance, 1996.

(Reference) Consolidated Solvency Margin Ratio

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
Total solvency margin (A)	5,858,298	6,251,712
Common stock, etc. *1	532,465	511,592
Reserve for price fluctuations	164,453	181,453
Contingency reserve	594,093	598,493
Catastrophe loss reserve	-	-
General reserve for possible loan losses	737	483
(Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax)) × 90% *2	2,446,154	2,770,215
Net unrealized gains (losses) on real estate × 85% *2	113,883	155,521
Sum of unrecognized actuarial differences and unrecognized past service cost	(27,581)	(9,600)
Policy reserves in excess of surrender values	2,019,361	2,133,716
Qualifying subordinated debt	759,277	759,277
Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt	(709,214)	(816,184)
Excluded items	(59,827)	(75,597)
Others	24,495	42,340
Total risk $\sqrt{(\sqrt{R_1^2 + R_2^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	1,379,562	1,413,924
Insurance risk R_1	70,408	66,458
General insurance risk R_5	-	-
Catastrophe risk R_6	-	-
3rd sector insurance risk R_8	177,428	185,798
Small amount and short-term insurance risk R_9	-	-
Assumed investment yield risk R_2	223,664	213,601
Guaranteed minimum benefit risk R_7 *3	3,215	3,019
Investment risk R_3	1,098,246	1,141,866
Business risk R_4	31,459	32,214
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	849.2%	884.3%

*1: Expected disbursements from capital outside the Company and accumulated other comprehensive income, etc. are excluded.

*2: Multiplied by 100% if losses.

*3: Calculated by standard method.

Note: The above figures are calculated based on Article 86-2 and 88 of the Enforcement Regulations of Insurance Business Act, and Notification of the Financial Services Agency No. 23, 2011.

10. Status of Separate Account for the Fiscal Year Ended March 31, 2018

(1) Separate Account Assets by Product

(millions of yen)

	As of March 31, 2017	As of March 31, 2018
Individual variable insurance	55,680	57,728
Individual variable annuities	47,116	38,001
Group annuities	993,781	1,090,099
Separate account total	1,096,578	1,185,829

(2) Individual Variable Insurance (Separate Account)

A. Policies in force

(millions of yen except number of policies)

	As of March 31, 2017		As of March 31, 2018	
	Number of policies	Amount	Number of policies	Amount
Variable insurance (term life)	129	629	84	418
Variable insurance (whole life)	42,827	264,207	41,913	258,414
Total	42,956	264,837	41,997	258,833

Note: Policies in force include term life riders.

B. Breakdown of separate account assets for individual variable insurance

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	%	Amount	%
Cash, deposits, and call loans	4	0.0	5	0.0
Securities	52,739	94.7	54,758	94.9
Domestic bonds	15,272	27.4	14,775	25.6
Domestic stocks	17,123	30.8	18,609	32.2
Foreign securities	20,343	36.5	21,374	37.0
Foreign bonds	5,184	9.3	5,674	9.8
Foreign stocks and other securities	15,158	27.2	15,699	27.2
Other securities	-	-	-	-
Loans	-	-	-	-
Others	2,936	5.3	2,964	5.1
Reserve for possible loan losses	-	-	-	-
Total	55,680	100.0	57,728	100.0

C. Investment gains and losses of separate account for individual variable insurance

(millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Interest and dividends	916	883
Gains on sale of securities	3,409	5,095
Gains on redemption of securities	-	-
Gains on valuation of securities	13,930	8,007
Foreign exchange gains	197	167
Derivative transaction gains	36	14
Other investment income	1	1
Losses on sale of securities	1,811	1,208
Losses on redemption of securities	0	-
Losses on valuation of securities	12,468	7,762
Foreign exchange losses	233	134
Derivative transaction losses	44	8
Other investment expenses	1	2
Net investment income	3,934	5,051

D. Fair value information on securities in separate account for individual variable insurance

* Valuation gains (losses) of trading securities

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings
Trading securities	52,739	1,462	54,758	244

* Fair value information on money held in trust

The Company had no balance as of March 31, 2017 or March 31, 2018.

(3) Individual Variable Annuities (Separate Account)

A. Sum insured of policies in force

(millions of yen except number of policies)

	As of March 31, 2017		As of March 31, 2018	
	Number	Amount	Number	Amount
Individual variable annuities	12,828	68,599	10,886	50,903

Note: Sum insured of policies in force includes that of annuities for which payments have commenced.

B. Breakdown of separate account assets for individual variable annuities

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Amount	%	Amount	%
Cash, deposits, and call loans	576	1.2	398	1.0
Securities	44,759	95.0	35,991	94.7
Domestic bonds	7,116	15.1	7,393	19.5
Domestic stocks	5,721	12.1	6,316	16.6
Foreign securities	3,034	6.4	3,479	9.2
Foreign bonds	1,197	2.5	1,360	3.6
Foreign stocks and other securities	1,836	3.9	2,118	5.6
Other securities	28,885	61.3	18,802	49.5
Loans	-	-	-	-
Others	1,780	3.8	1,611	4.2
Reserve for possible loan losses	-	-	-	-
Total	47,116	100.0	38,001	100.0

C. Investment gains and losses of separate account for individual variable annuities

(millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Interest and dividends	5,423	5,208
Gains on sales of securities	719	1,055
Gains on redemption of securities	-	-
Gains on valuation of securities	23,042	9,686
Foreign exchange gains	12	10
Derivative transaction gains	-	-
Other investment income	0	0
Losses on sales of securities	353	232
Losses on redemption of securities	-	0
Losses on valuation of securities	25,690	11,716
Foreign exchange losses	16	9
Derivative transaction losses	-	-
Other investment expenses	53	0
Net investment income	3,083	4,000

D. Fair value information on securities in separate account for individual variable annuities

* Valuation gains (losses) of trading securities

(millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings	Carrying amount on the balance sheet	Valuation gains (losses) included in the statement of earnings
Trading securities	44,759	(2,648)	35,991	(2,030)

* Fair value information on money held in trust

The Company had no balance as of March 31, 2017 or March 31, 2018.

11. Consolidated Financial Summary

Not applicable