

Corporate and Financial Data  
Table of Contents

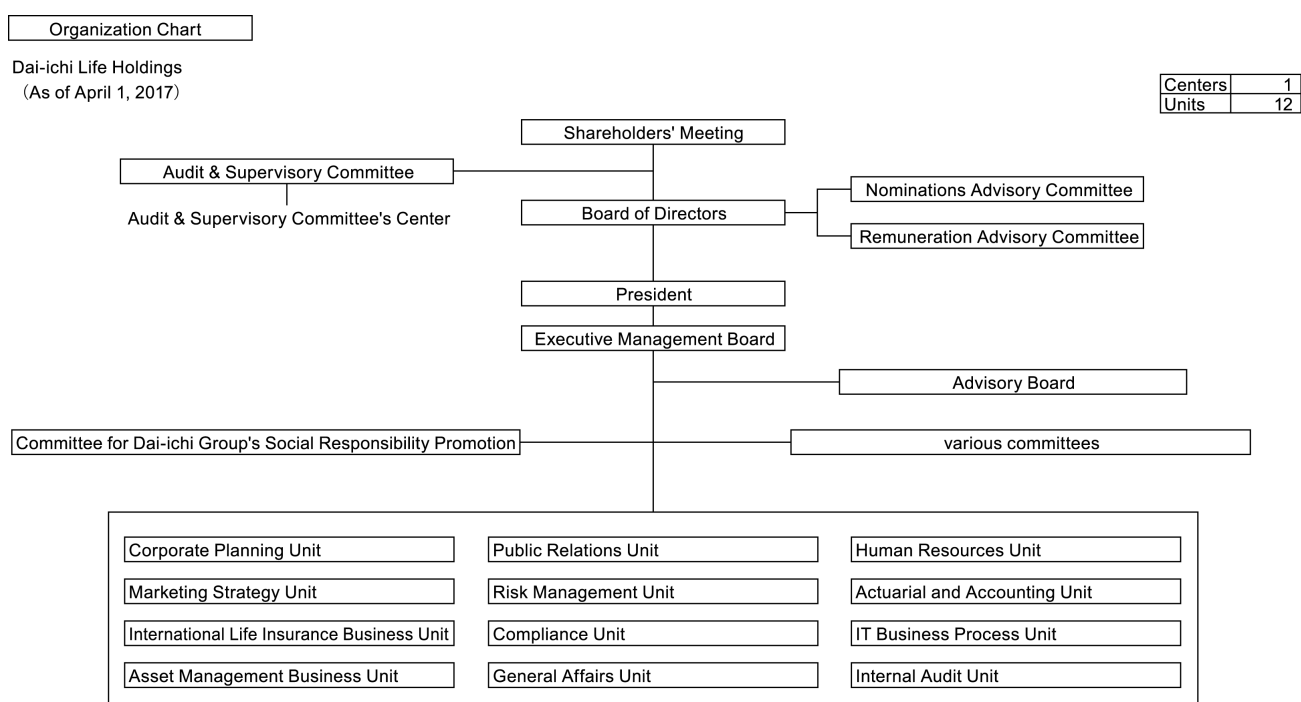
|   |     |
|---|-----|
| Overview and Organization of the Insurance Holding Company  | 79  |
| Corporate Profile   | 79  |
| Management Organization   | 79  |
| Capital Stock and Number of Shares  | 80  |
| Overview of the Insurance Holding Company and its Subsidiaries and Affiliated Companies   | 82  |
| Main Businesses and Organization  | 82  |
| List of Group Companies   | 83  |
| Main Businesses of the Insurance Holding Company and its Subsidiaries and Affiliated Companies  | 84  |
| Key Management Indicators   | 84  |
| Outline of business   | 84  |
| Consolidated Financial Statements   | 86  |
| Financial Statements of The Dai-ichi Life Insurance Company, Limited  | 151 |
| Reference Information   |     |
| (The figures presented in "Reference Information" are unaudited and are for the purpose of presenting comparable business results with the previous fiscal year.) | 175 |
| Solvency Margin Ratio   | 184 |

# Overview and Organization of the Insurance Holding Company

## Corporate Profile

|                       |  |
|-----------------------|--|
| Trade name            | Dai-ichi Life Holdings, Inc.   |
| Date of Establishment | September 15, 1902   |
| Head Office           | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-8411, Japan   |
| Phone number          | 81-(0)3-3216-1222  |
| Official website      | <a href="http://www.dai-ichi-life-hd.com/en/">http://www.dai-ichi-life-hd.com/en/</a>  |
| Main Business         | The purpose of the Company shall be to engage in the following businesses:<br>(1) Business administration of life insurance companies, non-life insurance companies, and other companies operating as the Company's subsidiaries pursuant to the provisions of the Insurance Business Act, and<br>(2) Other business activities incidental to the business listed in the preceding item. |
| Capital stock         | 343.1 billion yen  |
| Number of employees   | 542 persons  |

## Management Organization



## Capital Stock and Number of Shares

### 1. Capital stock

| Date            | Increase in capital | Capital stock after increase | Details  |
|-----------------|---------------------|------------------------------|--|
| April 1, 2010   | 210,200 million yen | 210,200 million yen          | Reconciliation of net assets associated with the change in corporate structure to a public company from a mutual company |
| April 2, 2012   | 7 million yen       | 210,207 million yen          | Exercise of stock options  |
| April 1, 2013   | 8 million yen       | 210,215 million yen          | Exercise of stock options  |
| June 21, 2013   | 9 million yen       | 210,224 million yen          | Exercise of stock options  |
| June 25, 2014   | 37 million yen      | 210,262 million yen          | Exercise of stock options  |
| July 23, 2014   | 124,178 million yen | 334,440 million yen          | Issuance of new shares by way of public offering   |
| August 19, 2014 | 8,663 million yen   | 343,104 million yen          | Third-party allotment associated with the secondary offering through over-allotment                                      |
| April 1, 2015   | 42 million yen      | 343,146 million yen          | Exercise of stock options  |

### 2. Number of shares and shareholders

(As of March 31, 2017)

|  |                           |
|--|---------------------------|
| Number of shares authorized to be issued | 4,000,000 thousand shares |
| Number of issued shares                  | 1,198,023 thousand shares |
| Number of shareholders                   | 804,651 persons           |

(Note) Numbers of shares less than one thousand are disregarded.

### 3. Type of issued shares

(As of March 31, 2017)

| Type         | Number of issued shares   | Details |
|--------------|---------------------------|---------|
| Common stock | 1,198,023 thousand shares | —       |

(Note) Numbers of shares less than one thousand are disregarded.

#### 4. Major Shareholders (Top 10)

(As of March 31, 2017)

| Name of shareholders                                    | Ownership in the Company |            |
|---|--------------------------|------------|
|   | Shares held              | Percentage |
|   | thousands of shares      | %          |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account)    | 67,102                   | 5.60       |
| GOLDMAN SACHS INTERNATIONAL                             | 50,585                   | 4.22       |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account) | 47,590                   | 3.97       |
| Mizuho Bank, Ltd.                                       | 45,000                   | 3.75       |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG<br>(FE-AC)           | 36,138                   | 3.01       |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account 5)  | 21,865                   | 1.82       |
| Sompo Japan Nipponkoa Insurance Inc.                    | 20,000                   | 1.66       |
| THE BANK OF NEW YORK MELLON<br>SA/NV 10                 | 19,163                   | 1.59       |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account 1)  | 16,263                   | 1.35       |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account 2)  | 16,020                   | 1.33       |

(Notes) 1. The treasury stock held by the Company (18,539 thousands of shares) is excluded from the above Major Shareholders.

2. Numbers of shares less than one thousand are disregarded.

3. Percentage figures less than the second decimal place are disregarded.

#### 5. Independent Auditor

Ernst & Young ShinNihon LLC

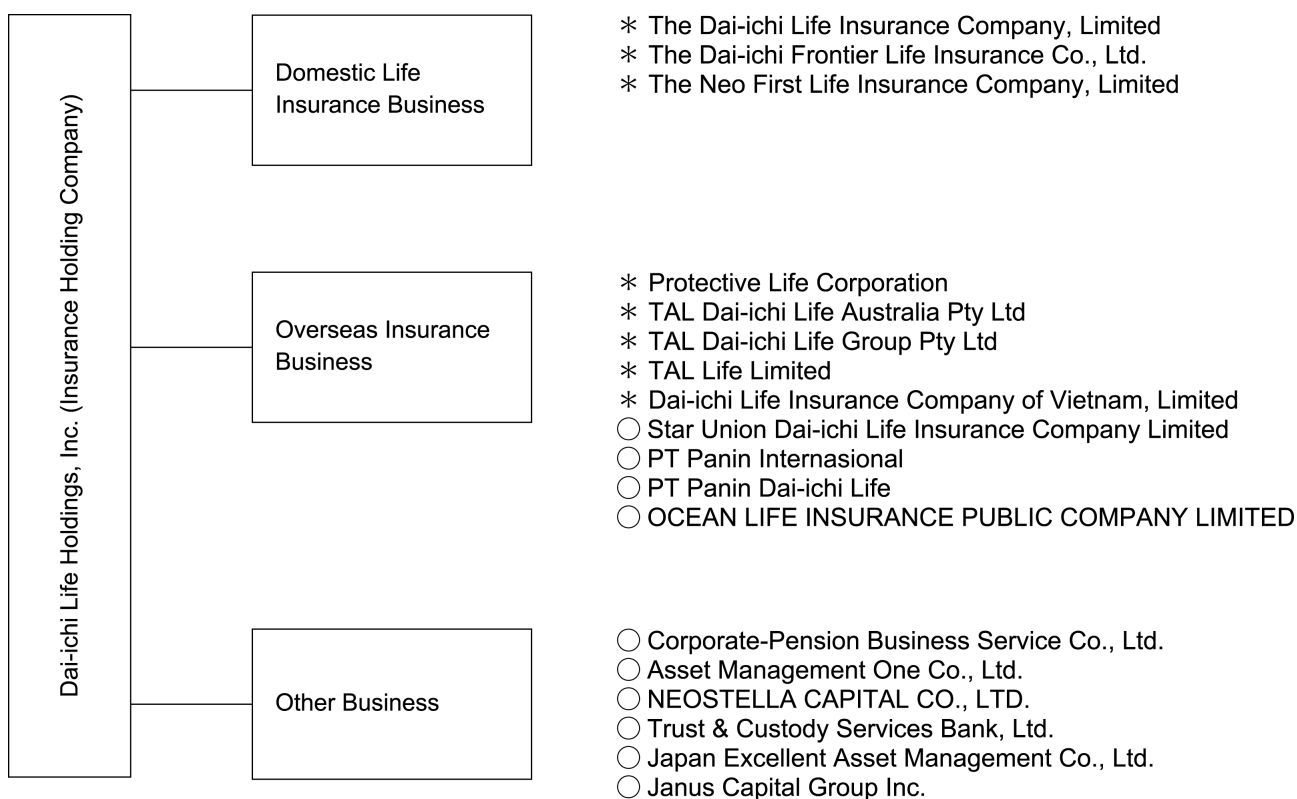
(Note) The Company appointed KPMG AZSA LLC as an independent auditor at the Annual General Meeting of Shareholders for the 7th Fiscal Year which was held on June 26, 2017.

# Overview of the Insurance Holding Company and its Subsidiaries and Affiliated Companies

## Main Businesses and Organization

Main businesses operated by the Company and its 77 subsidiaries and 54 affiliated companies, and the positioning of the group companies with respect to each of these businesses, are described as follows.

### 〈Diagram of the Company and its Subsidiaries and Affiliated Companies〉



(Notes) 1. Company names of principal subsidiaries and affiliated companies are shown.  
 2. Company names with "\*" are consolidated subsidiaries and "o" are affiliated companies under the equity method as of March 31, 2017.

## List of Group Companies

| Company Name   | Date of Establishment | Location                  | Capital             | Principal Business (Note 1)      | Percentage of voting rights of subsidiaries, etc. held by the Company (%) | Percentage of voting rights of subsidiaries, etc. held by Group companies (%) (Note 2) |
|--|-----------------------|---------------------------|---------------------|----------------------------------|---|--|
| (Consolidated Subsidiary)<br>The Dai-ichi Life Insurance Company, Limited                          | April 1, 2016         | Chiyoda-ku, Tokyo         | 60.0 billion JPY    | Life insurance business in Japan | 100.0%  | 0.0%   |
| The Dai-ichi Frontier Life Insurance Co., Ltd.   | December 1, 2006      | Shinagawa-ku, Tokyo       | 117.5 billion JPY   | Life insurance business in Japan | 100.0%  | 0.0%   |
| The Neo First Life Insurance Company, Limited  | April 23, 1999        | Shinagawa-ku, Tokyo       | 25.1 billion JPY    | Life insurance business in Japan | 100.0%  | 0.0%   |
| Protective Life Corporation  | July 24, 1907         | Birmingham, U.S.A.        | 10 USD              | Overseas insurance business      | 100.0%  | 0.0%   |
| TAL Dai-ichi Life Australia Pty Ltd  | March 25, 2011        | Sydney, Australia         | 1.63 billion AUD    | Overseas insurance business      | 100.0%  | 0.0%   |
| TAL Dai-ichi Life Group Pty Ltd  | March 25, 2011        | Sydney, Australia         | 2.217 billion AUD   | Overseas insurance business      | 0.0%  | 100.0%   |
| TAL Life Limited   | October 11, 1990      | Sydney, Australia         | 0.604 billion AUD   | Overseas insurance business      | 0.0%  | 100.0%   |
| Dai-ichi Life Insurance Company of Vietnam, Limited  | January 18, 2007      | Ho Chi Minh City, Vietnam | 2,153.1 billion VND | Overseas insurance business      | 100.0%  | 0.0%   |
| (Affiliated Company Under the Equity Method)<br>Star Union Dai-ichi Life Insurance Company Limited | September 25, 2007    | Navi Mumbai, India        | 2.589 billion INR   | Overseas insurance business      | 45.9%   | 0.0%   |
| PT Panin Internasional   | July 24, 1998         | Jakarta, Indonesia        | 1,022.5 billion IDR | Overseas insurance business      | 36.8%   | 0.0%   |
| PT Panin Dai-ichi Life   | July 19, 1974         | Jakarta, Indonesia        | 1,067.3 billion IDR | Overseas insurance business      | 5.0%  | 95.0%  |
| OCEAN LIFE INSURANCE PUBLIC COMPANY LIMITED  | January 11, 1949      | Bangkok, Thailand         | 2.360 billion THB   | Overseas insurance business      | 24.0%   | 0.0%   |
| Corporate-Pension Business Service Co., Ltd.   | October 1, 2001       | Shinagawa-ku, Tokyo       | 6 billion JPY       | Other business                   | 0.0%  | 50.0%  |
| Asset Management One Co., Ltd.   | July 1, 1985          | Chiyoda-ku, Tokyo         | 2 billion JPY       | Other business                   | 49.0%   | 0.0%   |
| NEOSTELLA CAPITAL CO., LTD.  | December 1, 1989      | Chuo-ku, Tokyo            | 100 million JPY     | Other business                   | 0.0%  | 50.0%  |
| Trust & Custody Services Bank, Ltd.  | January 22, 2001      | Chuo-ku, Tokyo            | 50 billion JPY      | Other business                   | 0.0%  | 16.0%  |
| Japan Excellent Asset Management Co., Ltd.   | April 14, 2005        | Minato-ku, Tokyo          | 400 million JPY     | Other business                   | 0.0%  | 36.0%  |
| Janus Capital Group Inc.   | January 23, 1998      | Denver, U.S.A.            | 1 million USD       | Other business                   | 19.7%   | 0.0%   |

(Notes) 1. "Principal Business" is categorized with the three reportable segments of the Company.

2. "Percentage of voting rights of subsidiaries, etc. held by Group companies" represent percentages including the those of indirect voting rights, which in turn include the percentages of "voting rights held by any persons who are found to exercise their voting rights in the same manner as the intent of the subject person due to their close ties with the subject person in terms of contribution, personnel affairs, funds, technology, transactions, etc. and those held by any persons who have given their consent to exercising their voting rights in the same manner as the intent of the subject person."

# Main Businesses of the Insurance Holding Company and its Subsidiaries and Affiliated Companies

## Key Management Indicators

|   | Fiscal Year Ended March 31, |           |           |           |           |
|---|-----------------------------|-----------|-----------|-----------|-----------|
|   | 2013                        | 2014      | 2015      | 2016      | 2017      |
| Ordinary revenues (million yen)   | 5,283,989                   | 6,044,955 | 7,252,242 | 7,333,947 | 6,456,796 |
| Ordinary profit (million yen)   | 157,294                     | 304,750   | 406,842   | 418,166   | 425,320   |
| Net income attributable to shareholders of parent company (million yen) | 32,427                      | 77,931    | 142,476   | 178,515   | 231,286   |
| Comprehensive income (million yen)                                      | 670,675                     | 300,180   | 1,384,315 | (592,867) | 264,969   |

|  | As of March 31, |            |            |            |            |
|--|-----------------|------------|------------|------------|------------|
|  | 2013            | 2014       | 2015       | 2016       | 2017       |
| Total net assets (million yen)         | 1,649,020       | 1,947,613  | 3,589,927  | 2,932,959  | 3,137,266  |
| Total assets (million yen)             | 35,694,411      | 37,705,176 | 49,837,202 | 49,924,922 | 51,985,850 |
| Consolidated solvency margin ratio (%) | 702.4           | 756.9      | 818.2      | 763.8      | 749.2      |

## Outline of business

Ordinary revenues for the fiscal year ended March 31, 2017 decreased by 12.0% compared to the prior fiscal year to 6,456.7 billion yen, consisting of 4,468.7 billion yen (20.0% decrease) of premium and other income, 1,626.1 billion yen (20.9% increase) of investment income, and 361.8 billion yen (10.2% decrease) of other ordinary revenues.

Meanwhile, the Group's ordinary expenses for the fiscal year ended March 31, 2017 decreased by 12.8% compared to the prior fiscal year to 6,031.4 billion yen, consisting of 3,618.3 billion yen (5.5% decrease) of benefits and claims, 1,016.7 billion yen (32.1% decrease) of provision for policy reserves and others, 342.1 billion yen (34.7% decrease) of investment expenses, 650.9 billion yen (1.6% decrease) of operating expenses, and 403.2 billion yen (0.1% increase) of other ordinary expenses.

Consequently, the Group's ordinary profit for the fiscal year ended March 31, 2017 increased by 1.7% compared to the prior fiscal year to 425.3 billion yen. Net income attributable to shareholders of parent company, which is ordinary profit after extraordinary gains and losses, provision for reserve for policyholder dividends, total of corporate income taxes, and net income attributable to non-controlling interests, increased by 29.6% compared to the prior fiscal year to 231.2 billion yen.

Segment results were as follows:

### (1) Domestic Life Insurance Business

Ordinary revenues for the domestic life insurance business decreased compared to the prior fiscal year by 1,103.0 billion yen, or 17.7%, to 5,133.6 billion yen due mainly to controlled sales of yen-denominated single premium saving type products at The Dai-ichi Life Insurance Company, Limited and The Dai-ichi Frontier Life Insurance Co., Ltd. Segment profit decreased compared to the prior fiscal year by 26.9 billion yen, or 7.3%, to 339.8 billion yen due mainly to a decrease in fundamental profit of The Dai-ichi Life Insurance Company, Limited affected by the stronger yen and low interest rates.

### (2) Overseas insurance business

Ordinary revenues for the overseas insurance business increased compared to the prior fiscal year by 251.9 billion yen, or 22.5%, to 1,373.7 billion yen due mainly to Protective Life Corporation's full-year consolidation against 11 months for the previous fiscal year and improvements in investment income for the overseas insurance business overall. Segment profit increased compared to the prior fiscal year by 25.5 billion yen, or 42.3%, to 85.9 billion yen due mainly to improvements in investment income for the overseas insurance business overall, improvement in profitability of the life insurance business at TAL Dai-ichi Life Australia Pty Ltd, and contribution to profit from acquisition of policy blocks at Protective Life Corporation.

(3) Other business

Ordinary revenues for other business increased compared to the prior fiscal year by 9.3 billion yen, or 28.9%, to 41.7 billion yen mainly because Dai-ichi Life Holdings, Inc. received dividends from its subsidiaries after the shift to a holding company structure in October 2016. Segment profit increased compared to the prior fiscal year by 15.7 billion yen, or 317.8%, to 20.7 billion yen.



# Consolidated Balance Sheet

|   | (Unit: million yen) |            | (Unit: million US dollars) |
|---|---------------------|------------|----------------------------|
|   | As of March 31,     |            |                            |
|   | 2016                | 2017       | 2017                       |
| <b>(ASSETS)</b>   |                     |            |                            |
| Cash and deposits   | 843,405             | 881,965    | 7,861                      |
| Call loans  | 116,900             | 98,500     | 877                        |
| Monetary claims bought  | 239,299             | 198,294    | 1,767                      |
| Money held in trust   | 87,476              | 333,111    | 2,969                      |
| Securities  | 41,560,060          | 43,650,962 | 389,080                    |
| Loans   | 3,715,562           | 3,566,603  | 31,790                     |
| Tangible fixed assets   | 1,178,817           | 1,138,416  | 10,147                     |
| Land  | 795,829             | 775,384    | 6,911                      |
| Buildings   | 371,304             | 351,393    | 3,132                      |
| Leased assets   | 4,712               | 5,097      | 45                         |
| Construction in progress  | 2,402               | 691        | 6                          |
| Other tangible fixed assets   | 4,567               | 5,848      | 52                         |
| Intangible fixed assets   | 407,367             | 433,236    | 3,861                      |
| Software  | 63,268              | 71,933     | 641                        |
| Goodwill  | 54,832              | 57,938     | 516                        |
| Other intangible fixed assets   | 289,266             | 303,364    | 2,704                      |
| Reinsurance receivable  | 105,876             | 91,248     | 813                        |
| Other assets  | 1,573,118           | 1,492,098  | 13,299                     |
| Net defined benefit assets  | 764                 | —          | —                          |
| Deferred tax assets   | 1,344               | 150        | 1                          |
| Customers' liabilities for acceptances and guarantees                                   | 97,056              | 103,786    | 925                        |
| Reserve for possible loan losses  | (1,702)             | (2,079)    | (18)                       |
| Reserve for possible investment losses  | (423)               | (444)      | (3)                        |
| Total assets  | 49,924,922          | 51,985,850 | 463,373                    |
| <b>(LIABILITIES)</b>  |                     |            |                            |
| Policy reserves and others  | 43,894,014          | 44,694,128 | 398,378                    |
| Reserves for outstanding claims   | 580,778             | 568,005    | 5,062                      |
| Policy reserves   | 42,922,534          | 43,740,238 | 389,876                    |
| Reserve for policyholder dividends  | 390,701             | 385,884    | 3,439                      |
| Reinsurance payable   | 75,883              | 208,621    | 1,859                      |
| Bonds payable   | 485,682             | 989,743    | 8,822                      |
| Other liabilities   | 1,486,611           | 1,852,035  | 16,508                     |
| Net defined benefit liabilities   | 443,842             | 421,560    | 3,757                      |
| Reserve for retirement benefits of directors, executive officers and corporate auditors | 1,886               | 1,498      | 13                         |
| Reserve for possible reimbursement of prescribed claims                                 | 800                 | 800        | 7                          |
| Reserves under the special laws   | 155,246             | 174,677    | 1,556                      |
| Reserve for price fluctuations  | 155,246             | 174,677    | 1,556                      |
| Deferred tax liabilities  | 270,750             | 324,496    | 2,892                      |
| Deferred tax liabilities for land revaluation   | 80,189              | 77,236     | 688                        |
| Acceptances and guarantees  | 97,056              | 103,786    | 925                        |
| Total liabilities   | 46,991,963          | 48,848,583 | 435,409                    |
| <b>(NET ASSETS)</b>   |                     |            |                            |
| Capital stock   | 343,146             | 343,146    | 3,058                      |
| Capital surplus   | 330,105             | 329,740    | 2,939                      |
| Retained earnings   | 479,241             | 665,345    | 5,930                      |
| Treasury stock  | (23,231)            | (37,476)   | (334)                      |
| Total shareholders' equity  | 1,129,262           | 1,300,756  | 11,594                     |
| Net unrealized gains (losses) on securities, net of tax                                 | 1,840,084           | 1,906,091  | 16,989                     |
| Deferred hedge gains (losses)   | (3,865)             | (25,243)   | (225)                      |
| Reserve for land revaluation  | (16,402)            | (17,541)   | (156)                      |
| Foreign currency translation adjustments  | 16,570              | (8,178)    | (72)                       |
| Accumulated remeasurements of defined benefit plans                                     | (33,688)            | (19,865)   | (177)                      |
| Total accumulated other comprehensive income  | 1,802,698           | 1,835,262  | 16,358                     |
| Subscription rights to shares   | 925                 | 1,247      | 11                         |
| Non-controlling interests   | 72                  | —          | —                          |
| Total net assets  | 2,932,959           | 3,137,266  | 27,963                     |
| Total liabilities and net assets  | 49,924,922          | 51,985,850 | 463,373                    |

# Consolidated Statement of Earnings

|   | (Unit: million yen)  |                  | (Unit: million US dollars) |
|---|----------------------|------------------|----------------------------|
|   | Year ended March 31, |                  |                            |
|   | 2016                 | 2017             | 2017                       |
| <b>ORDINARY REVENUES</b>                                  | <b>7,333,947</b>     | <b>6,456,796</b> | <b>57,552</b>              |
| Premium and other income                                  | 5,586,000            | 4,468,736        | 39,831                     |
| Investment income   | 1,344,852            | 1,626,177        | 14,494                     |
| Interest and dividends                                    | 1,075,389            | 1,107,793        | 9,874                      |
| Gains on investments in trading securities                | —                    | 138,124          | 1,231                      |
| Gains on sale of securities                               | 222,409              | 223,704          | 1,993                      |
| Gains on redemption of securities                         | 45,598               | 39,373           | 350                        |
| Reversal of reserve for possible loan losses              | 844                  | —                | —                          |
| Other investment income                                   | 612                  | 1,461            | 13                         |
| Gains on investments in separate accounts                 | —                    | 115,719          | 1,031                      |
| Other ordinary revenues                                   | 403,094              | 361,883          | 3,225                      |
| <b>ORDINARY EXPENSES</b>                                  | <b>6,915,780</b>     | <b>6,031,476</b> | <b>53,761</b>              |
| Benefits and claims                                       | 3,830,941            | 3,618,385        | 32,252                     |
| Claims  | 1,079,990            | 1,219,541        | 10,870                     |
| Annuities   | 629,640              | 635,941          | 5,668                      |
| Benefits  | 461,503              | 445,932          | 3,974                      |
| Surrender values  | 809,069              | 686,261          | 6,116                      |
| Other refunds   | 850,738              | 630,708          | 5,621                      |
| Provision for policy reserves and others                  | 1,496,360            | 1,016,744        | 9,062                      |
| Provision for reserves for outstanding claims             | 91,447               | —                | —                          |
| Provision for policy reserves                             | 1,396,273            | 1,008,360        | 8,987                      |
| Provision for interest on policyholder dividends          | —                    | 8,639            | 74                         |
| Investment expenses                                       | 524,041              | 342,102          | 3,049                      |
| Interest expenses   | 29,536               | 40,902           | 364                        |
| Losses on money held in trust                             | 1,782                | 12,236           | 109                        |
| Losses on investments in trading securities               | 36,943               | —                | —                          |
| Losses on sale of securities                              | 64,289               | 94,260           | 840                        |
| Losses on valuation of securities                         | 4,128                | 27,172           | 242                        |
| Losses on redemption of securities                        | 1,269                | 2,900            | 25                         |
| Derivative transaction losses                             | 53,857               | 29,464           | 262                        |
| Foreign exchange losses                                   | 180,451              | 73,705           | 656                        |
| Provision for reserve for possible loan losses            | —                    | 329              | 2                          |
| Provision for reserve for possible investment losses      | 423                  | 21               | 0                          |
| Write-down of loans                                       | 233                  | 737              | 6                          |
| Depreciation of real estate for rent and others           | 14,176               | 13,784           | 122                        |
| Other investment expenses                                 | 40,753               | 46,587           | 415                        |
| Losses on investments in separate accounts                | 96,194               | —                | —                          |
| Operating expenses  | 661,384              | 650,985          | 5,802                      |
| Other ordinary expenses                                   | 403,052              | 403,258          | 3,594                      |
| <b>Ordinary profit</b>                                    | <b>418,166</b>       | <b>425,320</b>   | <b>3,791</b>               |
| <b>EXTRAORDINARY GAINS</b>                                | <b>308</b>           | <b>17,495</b>    | <b>155</b>                 |
| Gains on disposal of fixed assets                         | 287                  | 4,984            | 44                         |
| Gains on changes in equity                                | —                    | 12,493           | 111                        |
| Other extraordinary gains                                 | 20                   | 16               | 0                          |
| <b>EXTRAORDINARY LOSSES</b>                               | <b>55,272</b>        | <b>47,447</b>    | <b>422</b>                 |
| Losses on disposal of fixed assets                        | 1,310                | 13,975           | 124                        |
| Impairment losses on fixed assets                         | 34,548               | 13,742           | 122                        |
| Provision for reserve for price fluctuations              | 18,992               | 19,430           | 173                        |
| Other extraordinary losses                                | 421                  | 299              | 2                          |
| Provision for reserve for policyholder dividends          | 97,500               | 85,000           | 757                        |
| Income before income taxes                                | 265,702              | 310,367          | 2,766                      |
| Corporate income taxes-current                            | 103,064              | 68,151           | 607                        |
| Corporate income taxes-deferred                           | (15,887)             | 10,919           | 97                         |
| Total of corporate income taxes                           | 87,177               | 79,071           | 704                        |
| Net Income  | 178,524              | 231,295          | 2,061                      |
| Net income attributable to non-controlling interests      | 9                    | 9                | 0                          |
| Net income attributable to shareholders of parent company | 178,515              | 231,286          | 2,061                      |

# Consolidated Statement of Comprehensive Income

|  | (Unit: million yen)  |          | (Unit: million US dollars) |
|--|----------------------|----------|----------------------------|
|  | Year ended March 31, |          |                            |
|  | 2016                 | 2017     | 2017                       |
| Net income   | 178,524              | 231,295  | 2,061                      |
| Other comprehensive income   |                      |          |                            |
| Net unrealized gains (losses) on securities, net of tax  | (687,935)            | 65,641   | 585                        |
| Deferred hedge gains (losses)  | 8,170                | (21,377) | (190)                      |
| Reserve for land revaluation   | 2,411                | (27)     | (0)                        |
| Foreign currency translation adjustments   | (2,180)              | (23,674) | (211)                      |
| Remeasurements of defined benefit plans, net of tax  | (87,716)             | 13,859   | 123                        |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method | (4,142)              | (748)    | (6)                        |
| Total other comprehensive income   | (771,392)            | 33,673   | 300                        |
| Comprehensive income   | (592,867)            | 264,969  | 2,361                      |
| (Details)  |                      |          |                            |
| Attributable to shareholders of the parent company   | (592,879)            | 264,962  | 2,361                      |
| Attributable to non-controlling interests  | 12                   | 7        | 0                          |

# Consolidated Statement of Changes in Net Assets

Year ended March 31, 2016

(Unit: million yen)

|  | Shareholders' equity |                 |                   |                | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock |                            |
| Balance at the beginning of the year   | 343,104              | 343,255         | 352,985           | (9,723)        | 1,029,622                  |
| Cumulative effect of changes in accounting policies  |                      | (13,667)        | (3,295)           |                | (16,962)                   |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 343,104              | 329,588         | 349,690           | (9,723)        | 1,012,659                  |
| Changes for the year   |                      |                 |                   |                |                            |
| Issuance of new shares - exercise of subscription rights to shares                                 | 42                   | 42              |                   |                | 84                         |
| Dividends  |                      |                 | (33,359)          |                | (33,359)                   |
| Net income attributable to shareholders of parent company  |                      |                 | 178,515           |                | 178,515                    |
| Purchase of treasury stock   |                      |                 |                   | (15,000)       | (15,000)                   |
| Disposal of treasury stock   |                      | 474             |                   | 1,492          | 1,967                      |
| Change in scope of consolidation   |                      |                 |                   |                | -                          |
| Change in scope of equity method   |                      |                 |                   |                | -                          |
| Transfer from reserve for land revaluation   |                      |                 | (14,609)          |                | (14,609)                   |
| Others   |                      |                 | (995)             |                | (995)                      |
| Net changes of items other than shareholders' equity   |                      |                 |                   |                |                            |
| Total changes for the year   | 42                   | 517             | 129,550           | (13,507)       | 116,602                    |
| Balance at the end of the year   | 343,146              | 330,105         | 479,241           | (23,231)       | 1,129,262                  |

(Unit: million yen)

|  | Accumulated other comprehensive income                  |                               |                              |  |
|--|---|-------------------------------|------------------------------|--|
|  | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Foreign currency translation adjustments |
| Balance at the beginning of the year   | 2,528,262   | (12,036)                      | (33,424)                     | 22,654                                   |
| Cumulative effect of changes in accounting policies  |   |                               |                              |  |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 2,528,262   | (12,036)                      | (33,424)                     | 22,654                                   |
| Changes for the year   |   |                               |                              |  |
| Issuance of new shares - exercise of subscription rights to shares                                 |   |                               |                              |  |
| Dividends  |   |                               |                              |  |
| Net income attributable to shareholders of parent company  |   |                               |                              |  |
| Purchase of treasury stock   |   |                               |                              |  |
| Disposal of treasury stock   |   |                               |                              |  |
| Change in scope of consolidation   |   |                               |                              |  |
| Change in scope of equity method   |   |                               |                              |  |
| Transfer from reserve for land revaluation   |   |                               |                              |  |
| Others   |   |                               |                              |  |
| Net changes of items other than shareholders' equity   | (688,178)   | 8,170                         | 17,021                       | (6,084)                                  |
| Total changes for the year   | (688,178)   | 8,170                         | 17,021                       | (6,084)                                  |
| Balance at the end of the year   | 1,840,084   | (3,865)                       | (16,402)                     | 16,570                                   |

(Unit: million yen)

|  | Accumulated other comprehensive income              |  | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|--|-------------------------------|---------------------------|------------------|
|  | Accumulated remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balance at the beginning of the year   | 54,027  | 2,559,484                                    | 753                           | 67                        | 3,589,927        |
| Cumulative effect of changes in accounting policies  |   |  |                               |                           | (16,962)         |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 54,027  | 2,559,484                                    | 753                           | 67                        | 3,572,965        |
| Changes for the year   |   |  |                               |                           |                  |
| Issuance of new shares - exercise of subscription rights to shares                                 |   |  |                               |                           | 84               |
| Dividends  |   |  |                               |                           | (33,359)         |
| Net income attributable to shareholders of parent company  |   |  |                               |                           | 178,515          |
| Purchase of treasury stock   |   |  |                               |                           | (15,000)         |
| Disposal of treasury stock   |   |  |                               |                           | 1,967            |
| Change in scope of consolidation   |   |  |                               |                           | -                |
| Change in scope of equity method   |   |  |                               |                           | -                |
| Transfer from reserve for land revaluation   |   |  |                               |                           | (14,609)         |
| Others   |   |  |                               |                           | (995)            |
| Net changes of items other than shareholders' equity   | (87,715)  | (756,785)                                    | 171                           | 5                         | (756,608)        |
| Total changes for the year   | (87,715)  | (756,785)                                    | 171                           | 5                         | (640,006)        |
| Balance at the end of the year   | (33,688)  | 1,802,698                                    | 925                           | 72                        | 2,932,959        |

# Consolidated Statement of Changes in Net Assets (Continued)

Year ended March 31, 2017

(Unit: million yen)

|  | Shareholders' equity |                 |                   |                | Total shareholders' equity |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock |                            |
| Balance at the beginning of the year   | 343,146              | 330,105         | 479,241           | (23,231)       | 1,129,262                  |
| Cumulative effect of changes in accounting policies  |                      |                 |                   |                | —                          |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 343,146              | 330,105         | 479,241           | (23,231)       | 1,129,262                  |
| Changes for the year   |                      |                 |                   |                |                            |
| Issuance of new shares - exercise of subscription rights to shares                                 |                      |                 |                   |                | —                          |
| Dividends  |                      |                 | (41,497)          |                | (41,497)                   |
| Net income attributable to shareholders of parent company  |                      |                 | 231,286           |                | 231,286                    |
| Purchase of treasury stock   |                      |                 |                   | (15,999)       | (15,999)                   |
| Disposal of treasury stock   |                      | (364)           |                   | 1,754          | 1,389                      |
| Change in scope of consolidation   |                      |                 | (2,548)           |                | (2,548)                    |
| Change in scope of equity method   |                      |                 | (1,478)           |                | (1,478)                    |
| Transfer from reserve for land revaluation   |                      |                 | 1,111             |                | 1,111                      |
| Others   |                      |                 | (767)             |                | (767)                      |
| Net changes of items other than shareholders' equity   |                      |                 |                   |                |                            |
| Total changes for the year   | —                    | (364)           | 186,104           | (14,245)       | 171,494                    |
| Balance at the end of the year   | 343,146              | 329,740         | 665,345           | (37,476)       | 1,300,756                  |

(Unit: million yen)

|  | Accumulated other comprehensive income                  |                               |                              |  |
|--|---|-------------------------------|------------------------------|--|
|  | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Foreign currency translation adjustments |
| Balance at the beginning of the year   | 1,840,084   | (3,865)                       | (16,402)                     | 16,570                                   |
| Cumulative effect of changes in accounting policies  |   |                               |                              |  |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 1,840,084   | (3,865)                       | (16,402)                     | 16,570                                   |
| Changes for the year   |   |                               |                              |  |
| Issuance of new shares - exercise of subscription rights to shares                                 |   |                               |                              |  |
| Dividends  |   |                               |                              |  |
| Net income attributable to shareholders of parent company  |   |                               |                              |  |
| Purchase of treasury stock   |   |                               |                              |  |
| Disposal of treasury stock   |   |                               |                              |  |
| Change in scope of consolidation   |   |                               |                              |  |
| Change in scope of equity method   |   |                               |                              |  |
| Transfer from reserve for land revaluation   |   |                               |                              |  |
| Others   |   |                               |                              |  |
| Net changes of items other than shareholders' equity   |   |                               |                              |  |
| Total changes for the year   | 66,007  | (21,377)                      | (1,138)                      | (24,749)                                 |
| Balance at the end of the year   | 1,906,091   | (25,243)                      | (17,541)                     | (8,178)                                  |

(Unit: million yen)

|  | Accumulated other comprehensive income              |  | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|--|-------------------------------|---------------------------|------------------|
|  | Accumulated remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balance at the beginning of the year   | (33,688)  | 1,802,698                                    | 925                           | 72                        | 2,932,959        |
| Cumulative effect of changes in accounting policies  |   |  |                               |                           | —                |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | (33,688)  | 1,802,698                                    | 925                           | 72                        | 2,932,959        |
| Changes for the year   |   |  |                               |                           |                  |
| Issuance of new shares - exercise of subscription rights to shares                                 |   |  |                               |                           | —                |
| Dividends  |   |  |                               |                           | (41,497)         |
| Net income attributable to shareholders of parent company  |   |  |                               |                           | 231,286          |
| Purchase of treasury stock   |   |  |                               |                           | (15,999)         |
| Disposal of treasury stock   |   |  |                               |                           | 1,389            |
| Change in scope of consolidation   |   |  |                               |                           | (2,548)          |
| Change in scope of equity method   |   |  |                               |                           | (1,478)          |
| Transfer from reserve for land revaluation   |   |  |                               |                           | 1,111            |
| Others   |   |  |                               |                           | (767)            |
| Net changes of items other than shareholders' equity   |   |  |                               |                           |                  |
| Total changes for the year   | 13,822  | 32,564                                       | 321                           | (72)                      | 32,812           |
| Balance at the end of the year   | (19,865)  | 1,835,262                                    | 1,247                         | —                         | 3,137,266        |

**Year ended March 31, 2017**

(Unit: million US dollars)

|  | Shareholders' equity |                 |                   |                |                            |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the year   | 3,058                | 2,942           | 4,271             | (207)          | 10,065                     |
| Cumulative effect of changes in accounting policies  |                      |                 |                   |                | —                          |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 3,058                | 2,942           | 4,271             | (207)          | 10,065                     |
| Changes for the year   |                      |                 |                   |                |                            |
| Issuance of new shares - exercise of subscription rights to shares                                 |                      |                 |                   |                | —                          |
| Dividends  |                      |                 | (369)             |                | (369)                      |
| Net income attributable to shareholders of parent company  |                      |                 | 2,061             |                | 2,061                      |
| Purchase of treasury stock   |                      |                 |                   | (142)          | (142)                      |
| Disposal of treasury stock   |                      | (3)             |                   | 15             | 12                         |
| Change in scope of consolidation   |                      |                 | (22)              |                | (22)                       |
| Change in scope of equity method   |                      |                 | (13)              |                | (13)                       |
| Transfer from reserve for land revaluation   |                      |                 | 9                 |                | 9                          |
| Others   |                      |                 | (6)               |                | (6)                        |
| Net changes of items other than shareholders' equity   |                      |                 |                   |                |                            |
| Total changes for the year   | —                    | (3)             | 1,658             | (126)          | 1,528                      |
| Balance at the end of the year   | 3,058                | 2,939           | 5,930             | (334)          | 11,594                     |

(Unit: million US dollars)

|  | Accumulated other comprehensive income                  |                               |                              |  |
|--|---|-------------------------------|------------------------------|--|
|  | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Foreign currency translation adjustments |
| Balance at the beginning of the year   | 16,401  | (34)                          | (146)                        | 147                                      |
| Cumulative effect of changes in accounting policies  |   |                               |                              |  |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | 16,401  | (34)                          | (146)                        | 147                                      |
| Changes for the year   |   |                               |                              |  |
| Issuance of new shares - exercise of subscription rights to shares                                 |   |                               |                              |  |
| Dividends  |   |                               |                              |  |
| Net income attributable to shareholders of parent company  |   |                               |                              |  |
| Purchase of treasury stock   |   |                               |                              |  |
| Disposal of treasury stock   |   |                               |                              |  |
| Change in scope of consolidation   |   |                               |                              |  |
| Change in scope of equity method   |   |                               |                              |  |
| Transfer from reserve for land revaluation   |   |                               |                              |  |
| Others   |   |                               |                              |  |
| Net changes of items other than shareholders' equity   | 588   | (190)                         | (10)                         | (220)                                    |
| Total changes for the year   | 588   | (190)                         | (10)                         | (220)                                    |
| Balance at the end of the year   | 16,989  | (225)                         | (156)                        | (72)                                     |

(Unit: million US dollars)

|  | Accumulated other comprehensive income              |  | Subscription rights to shares | Non-controlling interests | Total net assets |
|--|---|--|-------------------------------|---------------------------|------------------|
|  | Accumulated remeasurements of defined benefit plans | Total accumulated other comprehensive income |                               |                           |                  |
| Balance at the beginning of the year   | (300)   | 16,068                                       | 8                             | 0                         | 26,142           |
| Cumulative effect of changes in accounting policies  |   |  |                               |                           | —                |
| Balance at the beginning of the year after reflecting the effect of changes in accounting policies | (300)   | 16,068                                       | 8                             | 0                         | 26,142           |
| Changes for the year   |   |  |                               |                           |                  |
| Issuance of new shares - exercise of subscription rights to shares                                 |   |  |                               |                           | —                |
| Dividends  |   |  |                               |                           | (369)            |
| Net income attributable to shareholders of parent company  |   |  |                               |                           | 2,061            |
| Purchase of treasury stock   |   |  |                               |                           | (142)            |
| Disposal of treasury stock   |   |  |                               |                           | 12               |
| Change in scope of consolidation   |   |  |                               |                           | (22)             |
| Change in scope of equity method   |   |  |                               |                           | (13)             |
| Transfer from reserve for land revaluation   |   |  |                               |                           | 9                |
| Others   |   |  |                               |                           | (6)              |
| Net changes of items other than shareholders' equity   | 123   | 290  | 2                             | (0)                       | 292              |
| Total changes for the year   | 123   | 290  | 2                             | (0)                       | 1,821            |
| Balance at the end of the year   | (177)   | 16,358                                       | 11                            | —                         | 27,963           |

# Consolidated Statement of Cash Flows

|  | (Unit: million yen)  |             | (Unit: million US dollars) |
|--|----------------------|-------------|----------------------------|
|  | Year ended March 31, |             |                            |
|  | 2016                 | 2017        | 2017                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                      |             |                            |
| Income before income taxes   | 265,702              | 310,367     | 2,766                      |
| Depreciation of rented real estate and others  | 14,176               | 13,784      | 122                        |
| Depreciation   | 49,623               | 52,477      | 467                        |
| Impairment losses on fixed assets  | 34,548               | 13,742      | 122                        |
| Amortization of goodwill   | 3,567                | 3,600       | 32                         |
| Increase (decrease) in reserves for outstanding claims   | 87,668               | (9,289)     | (82)                       |
| Increase (decrease) in policy reserves   | 1,261,466            | 978,172     | 8,718                      |
| Provision for interest on policyholder dividends   | 8,639                | 8,384       | 74                         |
| Provision for (reversal of) reserve for policyholder dividends   | 97,500               | 85,000      | 757                        |
| Increase (decrease) in reserve for possible loan losses  | (418)                | 392         | 3                          |
| Increase (decrease) in reserve for possible investment losses  | 424                  | 21          | 0                          |
| Write-down of loans  | 233                  | 737         | 6                          |
| Decrease (increase) in net defined benefit assets  | 122                  | 182         | 1                          |
| Increase (decrease) in net defined benefit liabilities   | (10,816)             | 42          | 0                          |
| Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors | (131)                | (379)       | (3)                        |
| Increase (decrease) in reserve for possible reimbursement of prescribed claims                                 | 100                  | —           | —                          |
| Increase (decrease) in reserve for price fluctuations  | 18,992               | 19,430      | 173                        |
| Interest and dividends   | (1,075,389)          | (1,107,793) | (9,874)                    |
| Securities related losses (gains)  | (65,181)             | (392,587)   | (3,499)                    |
| Interest expenses  | 29,536               | 40,902      | 364                        |
| Foreign exchange losses (gains)  | 180,451              | 73,705      | 656                        |
| Losses (gains) on disposal of fixed assets   | 846                  | 8,810       | 78                         |
| Equity in losses (income) of affiliates  | (6,119)              | (6,424)     | (57)                       |
| Loss (gain) on changes in equity   | —                    | (12,493)    | (111)                      |
| Decrease (increase) in reinsurance receivable  | (7,804)              | 13,550      | 120                        |
| Decrease (increase) in other assets unrelated to investing and financing activities                            | (44,454)             | (59,108)    | (526)                      |
| Increase (decrease) in reinsurance payable   | 20,744               | 127,673     | 1,138                      |
| Increase (decrease) in other liabilities unrelated to investing and financing activities                       | (46,653)             | (372)       | (3)                        |
| Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan          | (6,707)              | (5,562)     | (49)                       |
| Others, net  | 140,905              | 87,305      | 778                        |
| Subtotal   | 951,573              | 244,273     | 2,177                      |
| Interest and dividends received  | 1,302,101            | 1,290,823   | 11,505                     |
| Interest paid  | (36,019)             | (45,850)    | (408)                      |
| Policyholder dividends paid  | (121,003)            | (98,201)    | (875)                      |
| Others, net  | 35,963               | 86,799      | 773                        |
| Corporate income taxes paid  | (118,807)            | (101,035)   | (900)                      |
| Net cash flows provided by (used in) operating activities  | 2,013,807            | 1,376,809   | 12,272                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                      |             |                            |
| Purchases of monetary claims bought  | (9,800)              | (27,915)    | (248)                      |
| Proceeds from sale and redemption of monetary claims bought  | 35,567               | 61,957      | 552                        |
| Purchases of money held in trust   | (27,500)             | (267,918)   | (2,388)                    |
| Proceeds from decrease in money held in trust  | 3,000                | 9,743       | 86                         |
| Purchases of securities  | (7,668,854)          | (8,191,513) | (73,014)                   |
| Proceeds from sale and redemption of securities  | 5,513,007            | 6,284,811   | 56,019                     |
| Origination of loans   | (457,401)            | (515,666)   | (4,596)                    |
| Proceeds from collection of loans  | 646,044              | 625,331     | 5,573                      |
| Others, net  | (258,221)            | (205,412)   | (1,830)                    |
| Total of net cash provided by (used in) investment transactions  | (2,224,157)          | (2,226,581) | (19,846)                   |
| Total of net cash provided by (used in) operating activities and investment transactions                       | (210,350)            | (849,771)   | (7,574)                    |
| Acquisition of tangible fixed assets   | (22,049)             | (39,785)    | (354)                      |
| Proceeds from sale of tangible fixed assets  | 1,856                | 35,418      | 315                        |
| Acquisition of intangible fixed assets   | (21,327)             | (28,468)    | (253)                      |
| Proceeds from sale of intangible fixed assets  | 18                   | 12          | 0                          |
| Acquisition of stock of subsidiaries resulting in change in scope of consolidation                             | —                    | (612)       | (5)                        |
| Net cash flows provided by (used in) investing activities  | (2,265,659)          | (2,260,016) | (20,144)                   |

|  | (Unit: million yen)  |          | (Unit: million<br>US dollars) |
|--|----------------------|----------|-------------------------------|
|  | Year ended March 31, |          |                               |
|  | 2016                 | 2017     | 2017                          |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                      |          |                               |
| Proceeds from borrowings   | 322,801              | 480,869  | 4,286                         |
| Repayment of borrowings  | (350,263)            | (70,841) | (631)                         |
| Proceeds from issuing bonds  | 7,839                | 540,634  | 4,818                         |
| Redemption of bonds  | (12,434)             | (24,622) | (219)                         |
| Repayment of financial lease obligations   | (1,726)              | (1,697)  | (15)                          |
| Net increase (decrease) in short-term financing  | 46,818               | 41,882   | 373                           |
| Purchase of treasury stock   | (15,000)             | (15,999) | (142)                         |
| Proceeds from disposal of treasury stock   | 1,879                | 1,280    | 11                            |
| Cash dividends paid  | (33,346)             | (41,412) | (369)                         |
| Others, net  | (7)                  | (7)      | (0)                           |
| Net cash flows provided by (used in) financing activities  | (33,439)             | 910,086  | 8,112                         |
| Effect of exchange rate changes on cash and cash equivalents   | (8,247)              | (1,950)  | (17)                          |
| Net increase (decrease) in cash and cash equivalents   | (293,538)            | 24,928   | 222                           |
| Cash and cash equivalents at the beginning of the year   | 1,254,760            | 961,221  | 8,567                         |
| Increase (decrease) in cash and cash equivalents due to changes in the subsidiaries included in the scope of consolidation | —                    | (5,683)  | (50)                          |
| Cash and cash equivalents at the end of the year   | 961,221              | 980,465  | 8,739                         |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MARCH 31, 2017

## I. BASIS FOR PRESENTATION

The accompanying consolidated financial statements have been prepared from the accounts maintained by Dai-ichi Life Holdings, Inc. and its consolidated subsidiaries in accordance with the provisions set forth in the Financial Instruments and Exchange Act, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP") which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements are reclassified for the convenience of readers outside Japan. The notes to the consolidated financial statements include information which is not required under Japanese GAAP but is presented herein as additional information.

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.19=US\$1.00, the foreign exchange rate on March 31, 2017, has been used for translation of the truncated figures in Japanese yen. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

## II. PRINCIPLES OF CONSOLIDATION

### 1. Scope of Consolidation

The number of consolidated subsidiaries as of March 31, 2017 was sixty-one. The consolidated financial statements include the accounts of Dai-ichi Life Holdings, Inc. (the "Company") and its consolidated subsidiaries (collectively, "the Group"), including The Dai-ichi Life Insurance Company, Limited ("DL"), The Dai-ichi Frontier Life Insurance Co., Ltd. ("DFLI"), The Neo First Life Insurance Company, Limited ("Neo First Life"), Dai-ichi Life Insurance Company of Vietnam, Limited, TAL Dai-ichi Life Australia Pty Ltd and Protective Life Corporation.

Effective the fiscal year ended March 31, 2017, The Dai-ichi Life Insurance Company, Limited, which succeeded the Company's domestic life insurance business by way of a corporate split effective October 1, 2016, was included in the scope of consolidation. The Company changed its corporate name from The Dai-ichi Life Insurance Company, Limited to Dai-ichi Life Holdings, Inc.

Effective the fiscal year ended March 31, 2017, one subsidiary of TAL Dai-ichi Life Australia Pty Ltd and five subsidiaries of Protective Life Corporation were included in the scope of consolidation. The Dai-ichi Life Information Systems Co., Ltd. was excluded from the scope of consolidation because it had a minimal impact on the consolidated financial statements. Six subsidiaries of Protective Life Corporation were excluded from the scope of consolidation as they were liquidated.

The number of non-consolidated subsidiaries as of March 31, 2017 was sixteen. The main subsidiaries that are not consolidated for the purposes of financial reporting are The Dai-ichi Life Information Systems Co., Ltd., Dai-ichi Seimei Business Service K.K and First U Anonymous Association.

The sixteen non-consolidated subsidiaries as of March 31, 2017 had, individually and in the aggregate, a minimal impact on the consolidated financial statements in terms of total assets, sales, net income (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest), cash flows, and others.

### 2. Application of the Equity Method

The number of non-consolidated subsidiaries under the equity method as of March 31, 2017 was zero.

The number of affiliated companies under the equity method as of March 31, 2017 was forty-nine. The affiliated companies included Asset Management One Co., Ltd., Trust & Custody Services Bank Ltd., Corporate-pension Business Service Co., Ltd., Japan Excellent Asset Management Co., Ltd., NEOSTELLA CAPITAL CO., LTD., OCEAN LIFE INSURANCE PUBLIC COMPANY LIMITED, Star Union Dai-ichi Life Insurance Company Limited, Janus Capital Group Inc. and PT Panin Internasional.

Effective October 1, 2016, DIAM Co., Ltd. merged with the asset management function of Mizuho Trust & Banking Co., Ltd., Mizuho Asset Management Co., Ltd., and Shinko Asset Management Co., Ltd. to incorporate Asset Management One Co., Ltd. As a result of the business integration, effective the fiscal year ended March 31, 2017, one subsidiary and one affiliated company of Asset Management One Co., Ltd. are included in the scope of the equity method.

Effective the fiscal year ended March 31, 2017, one affiliated company of Janus Capital Group Inc. was included in the scope of the equity method. Mizuho-DL Financial Technology Co., Ltd. was excluded from the scope of the equity method because it had a minimal impact on the consolidated financial statements. One subsidiary of Janus Capital Group Inc. was excluded from the scope of the equity method as it was liquidated.

The non-consolidated subsidiaries (The Dai-ichi Life Information Systems Co., Ltd., Dai-ichi Seimei Business Service K.K. and First U Anonymous Association and others), as well as affiliated companies (Mizuho-DL Financial Technology Co., Ltd., NEOSTELLA No. 1 Investment Limited Partnership, O.M. Building Management Co., Ltd., and others) were not accounted for under the equity method. These companies had, individually and in the aggregate, a minimal impact on the consolidated financial statements, in terms of the net income (loss) (amount corresponding to equity interest), retained earnings (amount corresponding to equity interest) and others.

### 3. Year-end Dates of Consolidated Subsidiaries

The closing date of domestic consolidated subsidiaries is March 31, whereas that of consolidated overseas subsidiaries is December 31 or March 31. Financial information as of those closing dates is used to prepare the consolidated financial statements, although the necessary adjustments are made when significant transactions take place between the account closing date of an individual subsidiary and that of the consolidated financial statements.

### 4. Summary of Significant Accounting Policies

#### (1) Valuation Methods of Securities

Securities held by the Company and its consolidated subsidiaries 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.

##### a) Trading Securities

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

##### b) Held-to-maturity Bonds

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

##### c) 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.

##### d) Stocks of Non-consolidated Subsidiaries and Affiliated Companies Not Accounted for under the Equity Method

Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are stated at cost determined by the moving average method.

##### e) Available-for-sale Securities

###### i) Available-for-sale Securities with Fair Values

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 market value during March), with cost determined by the moving average method.

###### ii) Available-for-sale Securities Whose Fair Values Are Extremely Difficult to Recognize

###### a. 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.

###### b. Others

All others 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 consolidated statement of earnings.

Securities held by certain consolidated overseas subsidiaries are stated at cost determined by the first-in first-out.

#### (2) Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

#### (3) Depreciation of Depreciable Assets

##### a) Depreciation of Tangible Fixed Assets Excluding Leased Assets

Depreciation of tangible fixed assets excluding leased assets of the Company and its domestic consolidated subsidiaries 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 and buildings 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.

Depreciation of tangible fixed assets owned by consolidated overseas subsidiaries is calculated by the straight-line method.

b) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company and its consolidated subsidiaries use 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 two to eight years.

c) Depreciation of Leased Assets

Depreciation of 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) Reserve for Possible Loan Losses**

The reserve for possible loan losses of consolidated subsidiaries that operate a life insurance business in Japan 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 (hereafter, "bankrupt obligors") and loans to and claims on obligors that have suffered substantial business failure (hereafter, "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 (hereafter, "obligors at risk of bankruptcy"), 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 each subsidiary 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 and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the fiscal years ended March 31, 2016 and 2017 were ¥58 million and ¥55 million (US\$0 million), respectively.

The reserve for possible loan losses of consolidated subsidiaries that do not operate a life insurance business in Japan is calculated mainly by considering the estimated recoverable amount from the book value of individual loans.

**(5) Reserve for Possible Investment Losses**

In order to provide for future investment losses, a reserve for possible investment losses 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.

**(6) 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 in accordance with the internal policies of certain consolidated subsidiaries is provided.

**(7) 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.

**(8) Net Defined Benefit Liabilities**

For the net defined benefit liabilities, the amount is provided by deducting the pension assets from the projected benefit obligations based on the estimated amounts as of March 31, 2017. The accounting treatment for retirement benefits is as follows.

a) 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 years ended March 31, 2017.

b) Amortization of Actuarial Differences

Actuarial differences are amortized under the straight-line method through a certain period (three or seven years) within the employees' average remaining service period, starting from the following year. Certain consolidated overseas subsidiaries applied corridor approach.

Certain consolidated subsidiaries applied the simplified method in calculating their projected benefit obligations.

**(9) Reserve for Price Fluctuations**

A reserve for price fluctuations is calculated based on the book value of stocks and other securities at the end of the year in accordance with the provisions of Article 115 of the Insurance Business Act.

**(10) Translation of Assets and Liabilities Denominated in Foreign Currencies into Yen**

The Company and its domestic consolidated subsidiaries translated foreign currency-denominated assets and liabilities (excluding stocks of its non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity

method) into yen at the prevailing exchange rates at the end of the year. Stocks of non-consolidated subsidiaries and affiliated companies which are not accounted for under the equity method were translated into yen at the exchange rates on the dates of acquisition. Assets, liabilities, revenues, and expenses of the Company's consolidated overseas subsidiaries are translated into yen at the exchange rates at the end of their fiscal year.

Translation adjustments associated with the consolidated overseas subsidiaries are included in foreign currency translation adjustments in the net assets section of the consolidated balance sheet.

For certain consolidated subsidiaries of the Company, changes in fair value of bonds included in foreign currency-denominated available-for-sale securities related to foreign currency-denominated insurance contracts are divided into two: changes in fair value due to changes in market prices in their original currencies are accounted for as "net unrealized gains (losses) on securities", and the remaining changes are reported in "foreign exchange gains (losses)".

## (11) Methods for Hedge Accounting

### a) Methods for Hedge Accounting

As for the Company and certain of its domestic consolidated subsidiaries, hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (ASBJ Statement No.10 issued on March 10, 2008). 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; 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 JICPA).

### b) Hedging Instruments and Hedged Items

| Hedging instruments                | Hedged items   |
|------------------------------------|--|
| 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  |

### c) Hedging Policies

The Company and certain of its domestic consolidated subsidiaries conduct 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.

### d) 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 hedging instruments.

## (12) Amortization of Goodwill

Goodwill is amortized over an effective period up to 20 years under the straight-line method. The entire amount is expensed as incurred if the amount is immaterial.

**(13) Scope of Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statement of cash flows consist of the following items contained in the consolidated balance sheet: cash and deposits, call loans, commercial paper included in monetary claims bought, money market funds included in securities, and overdrafts included in other liabilities.

**(14) Calculation of National and Local Consumption Tax**

The Company and its domestic consolidated subsidiaries account for national and local consumption tax mainly by the tax-exclusion method. Deferred consumption tax included in non-recoverable consumption tax on certain assets is capitalized as other assets 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 Reserves**

Policy reserves of the consolidated subsidiaries that operate a life insurance business in Japan are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as stated in a) and b) 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.

a) 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).

b) Reserves for other policies are established based on the net level premium method.

Policy reserves of consolidated overseas subsidiaries are calculated based on the each country's accounting standard, such as US GAAP.

**(16) Changes in Accounting Policies (Application of ASBJ PITF No. 32)**

In accordance with the revision of the Corporation Tax Act, the Company and its domestic subsidiaries applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32 issued on June 17, 2016) effective the fiscal year ended March 31, 2017, whereby the depreciation of facilities attached to buildings and structures acquired on and after April 1, 2016 was changed to the straight-line method from the declining balance method.

There was no significant impact on the figures in the consolidated financial statements for the fiscal year ended March 31, 2017.

**(17) Policy Acquisition Costs**

The costs of acquiring and renewing business, which include agent commissions and certain other costs directly related to the acquisition of business, are expensed when incurred as the Insurance Business Act in Japan does not permit insurance companies to defer and amortize these costs.

(Additional information)

(1) Changes in Accounting Policies (Application of ASBJ Guidance No. 26)

Effective the fiscal year ended March 31, 2017, the Company and its domestic consolidated subsidiaries applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 issued on March 28, 2016).

(2) Incentive Programs for Employees

The Company conducts transactions by granting its stocks to its employees using trust scheme ("the Stock Granting Trust (J-ESOP)") to incentivize its employees to improve stock prices and financial results. In December 2010 the Company introduced "the Company's Trust-type Employee Shareholding Incentive Plan (E-Ship®)" to provide the employees with incentives to improve the corporate value of the Company in the medium- to long-term, but the trust was terminated in July 2016.

a) Overview of the transactions

i) J-ESOP

J-ESOP is a program to grant shares of common stock to the Company's managerial level employees who fulfill requirements under the Stock Granting Regulations of the Company. The Company vests points to each managerial level employee based on her/his contribution, and vests stocks based on total points at retirement. Such stocks, including stocks to be granted in the future, are purchased by money held in the J-ESOP trust, managed separately from book of the Company.

ii) E-Ship®

E-Ship® is an incentive program for employees who are members of the Dai-ichi Life Insurance Employee Stock Holding Partnership (the "Partnership"). Under the E-Ship® plan, the Company sets up a trust through a trust bank. The trust estimates the number of shares of common stock of the Company which the Partnership is to acquire in 5 years and purchases the shares in advance. The Partnership buys shares of the Company from the trust periodically. At the end of the trust period, the Partnership's retained earnings, accumulation of net gains on sale of shares of the Company, are to be distributed to the members, who fulfill the requirements for eligible beneficiaries. On the other hand, the Company will pay off retained loss, accumulation of net losses on sale of the shares and any amount equivalent to the amount of outstanding debt at the end of the trust period, as it is to guarantee the debt of the trust needed to purchase the shares. The trust was terminated in July 2016.

b) While adopting "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts." (ASBJ PITF No. 30), the Company applies the same accounting treatment as before.

c) Information related to the stocks of the Company which the trusts hold

i) J-ESOP

a. Book value of the stocks of the Company within the trust as of March 31, 2016 and 2017 were ¥6,672 million and ¥6,551 million (US\$58 million). These stocks were recorded as the treasury stock in the total shareholders' equity.

b. The number of stocks within the trust as of March 31, 2016 and 2017 were 4,413 thousand shares and 4,334 thousand shares, and the average number of stocks within the trust for the fiscal years ended March 31, 2016 and 2017 were 4,437 thousand shares and 4,360 thousand shares. The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

ii) E-Ship®

a. Book value of the stocks within the trust as of March 31, 2016 was ¥1,558 million. The trust held no stocks of the Company as of March 31, 2017. These stocks were recorded as the treasury stock in the total shareholders' equity.

b. The number of stocks of the Company within the trust as of March 31, 2016 was 1,076 thousand shares and the trust held no stocks of the Company as of March 31, 2017. The average number of stocks within the trust for the fiscal years ended March 31, 2016 and 2017 were 1,545 thousand shares and 224 thousand shares. The number of shares at the year-end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

### III. NOTES TO THE CONSOLIDATED BALANCE SHEET

#### 1. Assets Pledged as Collateral / Secured Liabilities

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

|   | As of March 31,     |         |                            |
|---|---------------------|---------|----------------------------|
|   | 2016                | 2017    | 2017                       |
|   | (Unit: million yen) |         | (Unit: million US dollars) |
| Securities                                    | 646,319             | 657,830 | 5,863                      |
| deposits                                      | 9,042               | 10,140  | 90                         |
| Securities and deposits pledged as collateral | 655,362             | 667,971 | 5,953                      |

The amounts of secured liabilities were as follows:

|   | As of March 31,     |         |                            |
|---|---------------------|---------|----------------------------|
|   | 2016                | 2017    | 2017                       |
|   | (Unit: million yen) |         | (Unit: million US dollars) |
| Cash collateral for securities lending transactions | 473,284             | 267,871 | 2,387                      |

"Securities" pledged as collateral for securities lending transactions with cash collateral as of March 31, 2016 and 2017 were ¥381,453 million and ¥241,062 million (US\$2,148 million), respectively.

#### 2. Securities Lending

Securities lent under lending agreements are included in the consolidated balance sheet. The total balance of securities lent as of March 31, 2016 and 2017 were ¥2,250,315 million and ¥2,094,089 million (US\$18,665 million), respectively.

#### 3. Risk Management Policy of Policy-reserve-matching Bonds

Certain domestic consolidated subsidiaries categorize their insurance products into sub-groups by the attributes of each product and, in order to manage risks properly, formulate their policies on investments and resource allocation based on the balance of the sub-groups. Moreover, they periodically check that the duration gap between policy-reserve-matching bonds and policy reserves stays within a certain range.

The sub-groups of insurance products of DL are:

Years ended March 31, 2016 and 2017

- i) individual life insurance and annuities,
  - ii) non-participating single premium whole life insurance (without duty of medical disclosure),
  - iii) financial insurance and annuities, and
  - iv) group annuities,
- with the exception of certain types.

The sub-groups of insurance products of DFLI are:

Years ended March 31, 2016 and 2017

- i) individual life insurance and annuities(yen-denominated, short-term),
  - ii) individual life insurance and annuities(yen-denominated, long-term),
  - iii) individual life insurance and annuities(U.S. dollar-denominated),
  - iv) individual life insurance and annuities(Australian dollar-denominated), and
  - v) individual life insurance and annuities(New Zealand dollar-denominated),
- with the exception of certain types and contracts.



#### 4. Stocks of Subsidiaries and Affiliated Companies

The amounts of stocks of and stakes in non-consolidated subsidiaries and affiliated companies of the Company held were as follows:

|         | As of March 31,     |         |                            |
|---------|---------------------|---------|----------------------------|
|         | 2016                | 2017    | 2017                       |
|         | (Unit: million yen) |         | (Unit: million US dollars) |
| Stocks  | 122,088             | 139,662 | 1,244                      |
| Capital | 70,902              | 47,468  | 423                        |
| Total   | 192,990             | 187,130 | 1,667                      |

#### 5. Problem Loans

The amounts of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which were included in loans, were as follows:

|   | As of March 31,     |       |                            |
|---|---------------------|-------|----------------------------|
|   | 2016                | 2017  | 2017                       |
|   | (Unit: million yen) |       | (Unit: million US dollars) |
| Credits to bankrupt borrowers           | 93                  | 89    | 0                          |
| Delinquent loans                        | 3,005               | 2,608 | 23                         |
| Loans past due for three months or more | —                   | —     | —                          |
| Restructured loans                      | 415                 | 59    | 0                          |
| Total                                   | 3,513               | 2,757 | 24                         |

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 or 4 of the Enforcement Ordinance of the Corporation Tax Act. 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, decreases in credits to bankrupt borrowers and delinquent loans were as follows:

|                               | As of March 31,     |      |                            |
|-------------------------------|---------------------|------|----------------------------|
|                               | 2016                | 2017 | 2017                       |
|                               | (Unit: million yen) |      | (Unit: million US dollars) |
| Credits to bankrupt borrowers | 2                   | 2    | 0                          |
| Delinquent loans              | 56                  | 53   | 0                          |

#### 6. Commitment Line

As of March 31, 2016 and 2017, there were unused commitment line agreements under which the Company and its consolidated subsidiaries were the lenders of ¥104,987 million and ¥132,635 million (US\$1,182 million), respectively.

#### 7. Accumulated Depreciation of Tangible Fixed Assets

The amounts of accumulated depreciation of tangible fixed assets as of March 31, 2016 and 2017 were ¥664,386 million and ¥610,773 million (US\$5,444 million), respectively.

#### 8. Assets and Liabilities Held in Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act as of March 31, 2016 and 2017 were ¥3,140,639 million and ¥3,226,230 million (US\$28,756 million), respectively. Separate account liabilities were the same amount as the separate account assets.



## 9. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

|  | Year ended March 31, |          |                            |
|--|----------------------|----------|----------------------------|
|  | 2016                 | 2017     | 2017                       |
|  | (Unit: million yen)  |          | (Unit: million US dollars) |
| Balance at the beginning of the year             | 405,566              | 390,701  | 3,482                      |
| Dividends paid during the year                   | (121,003)            | (98,201) | (875)                      |
| Interest accrual during the year                 | 8,639                | 8,384    | 74                         |
| Provision for reserve for policyholder dividends | 97,500               | 85,000   | 757                        |
| Balance at the end of the year                   | 390,701              | 385,884  | 3,439                      |

## 10. Obligations to the Life Insurance Policyholders Protection Corporation of Japan

The estimated future obligations of consolidated companies that operate a life insurance business in Japan to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2016 and 2017 were ¥55,326 million and ¥56,523 million (US\$503 million), respectively. These obligations will be recognized as operating expenses in the years in which they are paid.

## 11. 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.

- Date of revaluation: March 31, 2001

- 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 Article 2-1 and 2-4 of the Enforcement Ordinance of the Act on Revaluation of Land (Publicly Issue Cabinet Order No. 119, March 31, 1998).

## 12. Bonds Payable

As of March 31, 2016 and 2017, bonds payable included foreign currency-denominated subordinated bonds of ¥269,852 million and ¥ 548,274 million (US\$ 4,887 million), respectively, the repayment of which is subordinated to other obligations

| Issuer                              | Description   | Issuance date                            | Balance as of April 1, 2016 | Balance as of March 31, 2017 | Interest rate (%) | Collateral | Maturity date                          |
|-------------------------------------|---|--|-----------------------------|------------------------------|-------------------|------------|--|
| (Unit: million yen)                 |   |  |                             |                              |                   |            |  |
| DL                                  | Foreign currency (US dollar) denominated perpetual subordinated bonds | From March 15, 2011 To July 20, 2016     | 215,727<br>[2,300 mil US\$] | 476,277<br>[4,800 mil US\$]  | From 4.00 to 7.25 | None       | Perpetual                              |
| (*)                                 | Foreign currency (US dollar) denominated bonds                        | From August 15, 1994 To January 15, 2016 | 215,830<br>[1,789 mil US\$] | 441,468<br>[3,789 mil US\$]  | From 2.52 to 8.45 | None       | From January 15, 2018 To July 15, 2052 |
| Protective Life Corporation         | Foreign currency (US dollar) denominated subordinated bonds           | From May 15, 2012 To August 15, 2012     | 54,125<br>[448 mil US\$]    | 51,395<br>[441 mil US\$]     | From 6.00 to 6.25 | None       | From May 15, 2042 To September 1, 2042 |
| TAL Dai-ichi Life Australia Pty Ltd | Foreign currency (Australian dollar) denominated subordinated bonds   | March 31, 2017                           | —                           | 20,601<br>[240 mil AUD]      | 6.00              | None       | March 31, 2027                         |
| Total                               | —   | —  | 485,682                     | 989,743                      | —                 | —          | —                                      |

Note: 1. The above (\*) represents the total of bonds issued by the following consolidated overseas subsidiaries: Protective Life Corporation, Golden Gate II Captive Insurance Company, Golden Gate V Captive Insurance Company, MONY Life Insurance Company and Golden Gate Captive Insurance Company.

2. Figures in [ ] are the principle amount in US dollars.

3. The following table shows the maturities of long-term subordinated bonds for the 5 years subsequent to March 31, 2017

|                            | Due in one year or less | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years |
|----------------------------|-------------------------|--------------------------------------|---|--|---|
| (Unit: million yen)        |                         |                                      |   |  |   |
| Bonds payable              | —                       | 17,473                               | 46,596                                  | —  | —                                       |
| (Unit: million US dollars) |                         |                                      |   |  |   |
| Bonds payable              | —                       | 155                                  | 415                                     | —  | —                                       |

### 13. Subordinated Debt and Other liabilities

As of March 31, 2016 and 2017, other liabilities included subordinated debt of ¥283,000 million and ¥283,000 million (US\$2,522 million), respectively, the repayment of which is subordinated to other obligations.

| Category   | Balance as of<br>April 1, 2016 | Balance as of<br>March 31,<br>2017 | Average<br>interest rate<br>(%) | Maturity                 | Balance as of<br>April 1, 2016 | Balance as of<br>March 31,<br>2017 |
|--|--------------------------------|------------------------------------|---------------------------------|--------------------------|--------------------------------|------------------------------------|
|  | (Unit: million yen)            |                                    |                                 |                          | (Unit: million US dollars)     |                                    |
| Current portions of long-term borrowings         | 3,277                          | —                                  | —                               | —                        | 29                             | —                                  |
| Current portions of lease obligations            | 1,649                          | 2,029                              | —                               | —                        | 14                             | 18                                 |
| Long-term borrowings (excluding current portion) | 360,772                        | 771,988                            | 0.8                             | October 2019 ~ perpetual | 3,215                          | 6,881                              |
| Lease obligations (excluding current portion)    | 2,981                          | 3,115                              | —                               | April 2018 ~ March 2022  | 26                             | 27                                 |
| <b>Total</b>                                     | <b>368,681</b>                 | <b>777,133</b>                     | <b>—</b>                        | <b>—</b>                 | <b>3,286</b>                   | <b>6,926</b>                       |

Note: 1. Those borrowings and lease obligations above are included in the "other liabilities" on the consolidated balance sheet.

2. The average interest rate represents the weighted-average rate applicable to the balance as of March 31, 2017. As for lease obligations, description is omitted since interest method is applied.

3. The following table shows the maturities of long-term borrowings (excluding the current portion or those without maturities) and lease obligations (excluding the current portion) for the 5 years subsequent to March 31, 2017:

|                      | Due after one year<br>through two years | Due after two years<br>through three years | Due after three years<br>through four years | Due after four years<br>through five years |
|----------------------|---|--|---|--|
|                      | (Unit: million yen)                     |  |   |  |
| Long-term borrowings | —                                       | 19,185                                     | 19,803                                      | 450,000                                    |
| Lease obligations    | 1,284                                   | 875  | 651   | 303  |
|                      | (Unit: million US dollars)              |  |   |  |
| Long-term borrowings | —                                       | 171  | 176   | 4,011                                      |
| Lease obligations    | 11                                      | 7  | 5   | 2  |

### 14. Securities Borrowing

Securities borrowed under borrowing agreements and securities received as collateral of reinsurance transactions can be sold or pledged as collateral. As of March 31, 2016 and 2017, the market value of the securities which were not sold or pledged as collateral was ¥267,875 million and ¥76,190 (US\$679 million), respectively. None of the securities were pledged as collateral as of March 31, 2016 and 2017, respectively.

### 15. Organizational Change Surplus

As of March 31, 2016 and 2017, the amounts of organizational change surplus stipulated in Article 91 of the Insurance Business Act were ¥117,776 million and ¥117,776 million (US\$1,049 million), respectively.

## IV. NOTES TO THE CONSOLIDATED STATEMENT OF EARNINGS

### 1. Operating Expenses

Details of operating expenses for the fiscal years ended March 31, 2016 and 2017 were as follows:

|                             | Year ended March 31, |         |                            |
|-----------------------------|----------------------|---------|----------------------------|
|                             | 2016                 | 2017    | 2017                       |
|                             | (Unit: million yen)  |         | (Unit: million US dollars) |
| Sales activity expenses     | 301,337              | 273,935 | 2,441                      |
| Sales management expenses   | 78,029               | 79,450  | 708                        |
| General management expenses | 282,016              | 297,598 | 2,652                      |

### 2. Gains on Disposal of Fixed Assets

Details of gains on disposal of fixed assets for the fiscal years ended March 31, 2016 and 2017 were as follows:

|                               | Year ended March 31, |       |                            |
|-------------------------------|----------------------|-------|----------------------------|
|                               | 2016                 | 2017  | 2017                       |
|                               | (Unit: million yen)  |       | (Unit: million US dollars) |
| Land                          | 168                  | 4,516 | 40                         |
| Buildings                     | 103                  | 447   | 3                          |
| Other tangible fixed assets   | 0                    | 4     | 0                          |
| Other intangible fixed assets | 14                   | 16    | 0                          |
| Total                         | 287                  | 4,984 | 44                         |

### 3. Losses on Disposal of Fixed Assets

Details of losses on disposal of fixed assets for the fiscal years ended March 31, 2016 and 2017 were as follows:

|                             | Year ended March 31, |        |                            |
|-----------------------------|----------------------|--------|----------------------------|
|                             | 2016                 | 2017   | 2017                       |
|                             | (Unit: million yen)  |        | (Unit: million US dollars) |
| Land                        | 784                  | 6,267  | 55                         |
| Buildings                   | 205                  | 7,467  | 66                         |
| Leased assets               | 2                    | 0      | 0                          |
| Other tangible fixed assets | 140                  | 59     | 0                          |
| Software                    | 60                   | 13     | 0                          |
| Other assets                | 116                  | 166    | 1                          |
| Total                       | 1,310                | 13,975 | 124                        |

#### 4. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets of the consolidated subsidiaries that operate a life insurance business in Japan for the years ended March 31, 2016 and 2017 were as follows:

##### a) Method of Grouping Assets

Real estate and other assets used for insurance business purposes are recognized as one asset group for each consolidated company. 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.

##### b) Background for Recognition of Impairment Losses

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

##### c) Breakdown of Impairment Losses

Impairment losses by asset group for the fiscal year ended March 31, 2016 were as follows:

| Asset Group            | Place                                   | Number | Impairment Losses |           |           |        |
|------------------------|---|--------|-------------------|-----------|-----------|--------|
|                        |   |        | Land              | Leasehold |           |        |
|                        |   |        | Land              | Rights    | Buildings | Total  |
| (Unit: million yen)    |   |        |                   |           |           |        |
| Real estate not in use | Fuchu City, Tokyo Prefecture and others | 100    | 13,780            | 9         | 20,757    | 34,548 |

Impairment losses by asset group for the fiscal year ended March 31, 2017 were as follows:

| Asset Group               | Place   | Number | Impairment Losses   |                             |           |        |                            |                             |           |       |
|---------------------------|---|--------|---------------------|-----------------------------|-----------|--------|----------------------------|-----------------------------|-----------|-------|
|                           |   |        | Land                | Land<br>Leasehold<br>Rights | Buildings | Total  | Land                       | Land<br>Leasehold<br>Rights | Buildings | Total |
|                           |   |        | (Unit: million yen) |                             |           |        | (Unit: million US dollars) |                             |           |       |
| Real estate<br>not in use | Yokohama City,<br>Kanagawa Prefecture<br>and others | 135    | 8,622               | —                           | 5,119     | 13,742 | 76                         | —                           | 45        | 122   |

##### d) 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. Discount rates of 2.48% and 2.41% for the years ended March 31, 2016 and 2017, respectively, were 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.

## V. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The amount reclassified and tax effect amounts related to other comprehensive income were as follows:

|  | Year ended March 31, |          |                            |
|--|----------------------|----------|----------------------------|
|  | 2016                 | 2017     | 2017                       |
|  | (Unit: million yen)  |          | (Unit: million US dollars) |
| Net unrealized gains (losses) on securities, net of tax  |                      |          |                            |
| Amount incurred during the year  | (863,473)            | 129,849  | 1,157                      |
| Amount reclassified  | (154,986)            | (30,494) | (271)                      |
| Before tax adjustment  | (1,018,460)          | 99,355   | 885                        |
| Tax effect   | 330,525              | (33,714) | (300)                      |
| Net unrealized gains (losses) on securities, net of tax  | (687,935)            | 65,641   | 585                        |
| Deferred hedge gains (losses)  |                      |          |                            |
| Amount incurred during the year  | 10,659               | (29,783) | (265)                      |
| Amount reclassified  | 851                  | 71       | 0                          |
| Amount adjusted for asset acquisition cost   | —                    | (25)     | (0)                        |
| Before tax adjustment  | 11,511               | (29,737) | (265)                      |
| Tax effect   | (3,340)              | 8,359    | 74                         |
| Deferred hedge gains (losses)  | 8,170                | (21,377) | (190)                      |
| Reserve for land revaluation   |                      |          |                            |
| Amount incurred during the year  | —                    | —        | —                          |
| Amount reclassified  | —                    | —        | —                          |
| Before tax adjustment  | —                    | —        | —                          |
| Tax effect   | 2,411                | (27)     | (0)                        |
| Reserve for land revaluation   | 2,411                | (27)     | (0)                        |
| Foreign currency translation adjustments   |                      |          |                            |
| Amount incurred during the year  | (2,180)              | (23,674) | (211)                      |
| Amount reclassified  | —                    | —        | —                          |
| Before tax adjustment  | (2,180)              | (23,674) | (211)                      |
| Tax effect   | —                    | —        | —                          |
| Foreign currency translation adjustments   | (2,180)              | (23,674) | (211)                      |
| Remeasurements of defined benefit plans, net of tax  |                      |          |                            |
| Amount incurred during the year  | (112,409)            | 14,320   | 127                        |
| Amount reclassified  | (10,053)             | 4,827    | 43                         |
| Before tax adjustment  | (122,463)            | 19,148   | 170                        |
| Tax effect   | 34,746               | (5,288)  | (47)                       |
| Remeasurements of defined benefit plans, net of tax  | (87,716)             | 13,859   | 123                        |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method |                      |          |                            |
| Amount incurred during the year  | (4,079)              | (808)    | (7)                        |
| Amount reclassified  | (62)                 | 60       | 0                          |
| Share of other comprehensive income of subsidiaries and affiliates accounted for under the equity method | (4,142)              | (748)    | (6)                        |
| Total other comprehensive income   | (771,392)            | 33,673   | 300                        |

## VI. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

### 1. For the Year Ended March 31, 2016

#### (1) Type and Number of Shares Outstanding

|  | Year ended March 31, 2016    |                          |                          |                        |
|--|------------------------------|--------------------------|--------------------------|------------------------|
|  | At the beginning of the year | Increase during the year | Decrease during the year | At the end of the year |
|  | (Unit: thousands of shares)  |                          |                          |                        |
| Common stock <sup>(*)</sup>  | 1,197,938                    | 84                       | —                        | 1,198,023              |
| Treasury stock <sup>(*)</sup> ( <sup>(2)</sup> )( <sup>(3)</sup> )( <sup>(4)</sup> ) | 6,518                        | 6,878                    | 1,028                    | 12,368                 |

(\*) The increase of 84 thousand shares of common stock is due to the exercise of stock acquisition rights (stock options).

(\*) Treasury stock at the beginning and the end of the fiscal year ended March 31, 2016, includes 6,518 thousand shares and 5,490 thousand shares held by the trust fund through the J-ESOP and the trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership through the E-Ship®, respectively.

(\*) The increase of 6,878 thousand shares of treasury stock was due to the repurchase of outstanding common stock.

(\*) The 1,028 thousand share decrease in treasury stock represents the sum of (1) shares granted to eligible employees at retirement and (2) shares sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership.

#### (2) Stock Acquisition Rights

| Issuer      | Details   | Balance as of March 31, 2016<br>(Unit: million yen) |
|-------------|---|---|
| The Company | Stock acquisition rights in the form of stock options | 925   |

#### (3) Dividends on Common Stock

##### a) Dividends paid during the fiscal year ended March 31, 2016

|                     |   |
|---------------------|---|
| Date of resolution  | June 23, 2015 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock  |
| Total dividends(*)  | ¥33,359 million   |
| Dividends per share | ¥28   |
| Record date         | March 31, 2015  |
| Effective date      | June 24, 2015   |
| Dividend resource   | Retained earnings   |

(\*) Total dividends did not include ¥182 million of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

##### b) Dividends, the record date of which was March 31, 2016, to be paid out in the year ending March 31, 2017

|                     |   |
|---------------------|---|
| Date of resolution  | June 24, 2016 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock  |
| Total dividends(*)  | ¥41,497 million   |
| Dividends per share | ¥35   |
| Record date         | March 31, 2016  |
| Effective date      | June 27, 2016   |
| Dividend resource   | Retained earnings   |

(\*) Total dividends did not include ¥192 million of dividends to the J-ESOP trust and the E-ship® trust, as DL recognized the shares held by those trusts as treasury shares.

### 2. For the Year Ended March 31, 2017

#### (1) Type and Number of Shares Outstanding

|  | Year ended March 31, 2017    |                          |                          |                        |
|--|------------------------------|--------------------------|--------------------------|------------------------|
|  | At the beginning of the year | Increase during the year | Decrease during the year | At the end of the year |
|  | (Unit: thousands of shares)  |                          |                          |                        |
| Common stock   | 1,198,023                    | —                        | —                        | 1,198,023              |
| Treasury stock <sup>(*)</sup> ( <sup>(2)</sup> )( <sup>(3)</sup> ) | 12,368                       | 11,695                   | 1,190                    | 22,873                 |

(\*) Treasury stock at the beginning and the end of the fiscal year ended March 31, 2017, includes 5,490 thousand shares and 4,334 thousand shares held by the trust fund through the J-ESOP and the trust fund for Dai-ichi Life Insurance Employee Stock Holding Partnership through the E-Ship®, respectively. The Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership was terminated in July 2016.

(\*) The increase of 11,695 thousand shares of treasury stock was due to the repurchase of outstanding common stock.

(\*) The decrease of 1,190 thousand shares of treasury stock represents the sum of (1) 34 thousand shares due to the exercise of stock acquisition rights (stock options) and (2) 1,156 thousand shares granted to eligible employees at retirement by the J-ESOP and sold to the Dai-ichi Life Insurance Employee Stock Holding Partnership by the Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership.

## (2) Stock Acquisition Rights

| Issuer      | Details   | Balance as of March 31, 2017<br>(Unit: million yen) |
|-------------|---|---|
| The Company | Stock acquisition rights in the form of stock options | 1,247 (US\$11 million)                              |

## (3) Dividends on Common Stock

### a) Dividends paid during the fiscal year ended March 31, 2017

|                     |   |
|---------------------|---|
| Date of resolution  | June 24, 2016 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock  |
| Total dividends(*)  | ¥41,497 million (US\$369 million)                             |
| Dividends per share | ¥35 (US\$0.31)  |
| Record date         | March 31, 2016  |
| Effective date      | June 27, 2016   |
| Dividend resource   | Retained earnings   |

(\*) Total dividends did not include ¥192 million (US\$1 million) of dividends to the J-ESOP trust and the E-ship® trust, as the Company recognized the shares held by those trusts as treasury shares. The Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership was terminated in July 2016.

### b) Dividends, the record date of which was March 31, 2017, to be paid out in the year ending March 31, 2018

|                     |  |
|---------------------|--|
| Date of resolution  | June 26, 2017 (at the Annual General Meeting of Shareholders to be held) |
| Type of shares      | Common stock   |
| Total dividends(*)  | ¥50,531 million (US\$450 million)  |
| Dividends per share | ¥43 (US\$0.38)   |
| Record date         | March 31, 2017   |
| Effective date      | June 27, 2017  |
| Dividend resource   | Retained earnings  |

(\*) Total dividends did not include ¥186 million (US\$1 million) of dividends to the J-ESOP trust, as the Company recognized the shares held by the trust as treasury shares.

## VII. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### 1. Reconciliations of cash and cash equivalents to consolidated balance sheet accounts were as follows:

|   | As of March 31,     |         |                            |
|---|---------------------|---------|----------------------------|
|   | 2016                | 2017    | 2017                       |
|   | (Unit: million yen) |         | (Unit: million US dollars) |
| Cash and deposits                         | 843,405             | 881,965 | 7,861                      |
| Call loans                                | 116,900             | 98,500  | 877                        |
| Money market funds included in securities | 916                 | —       | —                          |
| Cash and cash equivalents                 | 961,221             | 980,465 | 8,739                      |

## VIII. LEASE TRANSACTIONS

### 1. Finance Leases (As lessee)

For the fiscal years ended March 31, 2016 and 2017, information regarding finance leases (as lessee) is omitted due to the importance on the consolidated financial statements.

### 2. Operating Leases

Future minimum lease payments under non-cancellable operating leases as of March 31, 2016 and 2017 were as follows:

(As Lessee)

|                     | As of March 31,     |        |                            |
|---------------------|---------------------|--------|----------------------------|
|                     | 2016                | 2017   | 2017                       |
|                     | (Unit: million yen) |        | (Unit: million US dollars) |
| Due within one year | 2,928               | 3,569  | 31                         |
| Due after one year  | 26,782              | 26,245 | 233                        |
| Total               | 29,711              | 29,815 | 265                        |

(As Lessor)

|                     | As of March 31,     |      |                            |
|---------------------|---------------------|------|----------------------------|
|                     | 2016                | 2017 | 2017                       |
|                     | (Unit: million yen) |      | (Unit: million US dollars) |
| Due within one year | 8                   | 14   | 0                          |
| Due after one year  | 247                 | 394  | 3                          |
| Total               | 256                 | 408  | 3                          |



## IX. FINANCIAL INSTRUMENTS AND OTHERS

### 1. Financial Instruments

#### (1) Policies in Utilizing Financial Instrument

The Group mainly operates in life insurance business and, in an effort to manage investment assets in a manner appropriate to liabilities, which arise from the insurance policies underwritten, 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 Group holds fixed income investments, including bonds and loans, as the core of its asset portfolio. While placing its financial soundness first, the Group also holds stocks and foreign securities within its tolerable risk to enhance its profitability and facilitate diversification of investment risks.

The Group uses derivatives primarily to hedge market risks associated with its existing asset portfolio and to mitigate the risks associated with guaranteed minimum maturity benefits of individual variable annuity insurance.

With respect to financing, the Group 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 Group utilizes derivative transactions in hedging some of such financial liabilities and adopts hedge accounting.

#### (2) Financial Instruments Used and Their Risks

Securities included in financial assets of the Group, mainly stocks and bonds, 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 Group might be exposed to liquidity risk in certain circumstance 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 Group utilizes a) interest rate swaps to hedge interest rate risk associated with certain of its loans receivable and payable, b) equity forward contracts to hedge market fluctuation risks associated with domestic stocks, and c) 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 adopts hedge accounting.

In addition, certain consolidated subsidiaries utilize a) 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), and b) foreign currency swaps to hedge foreign currency risks associated with funding agreements and adopts hedge accounting.

In applying the hedge accounting, in order to fulfill requirements stipulated in accounting standards such as the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008), the Group 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.

#### (3) Risk Management

The Group manages risk in accordance with a basic policy for risk management, rules for management procedures, etc. defined by the board of directors, etc.

##### a) Market risk management

Under the internal investment policy and market risk management policy, DL 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.

##### i) Interest rate risk

DL 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.

##### ii) Currency risk

DL 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.

##### iii) Fluctuation in market values

DL defines risk management policies and management procedures for each component of its overall portfolio, including securities, based on the risk characteristics of the categories, and sets 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.

##### iv) Derivative transactions

For derivative transactions, DL has established internal check system by segregating (i) the 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, it has put restrictions on utilization purpose, such as hedging, and establishes position limits for each asset class.

The consolidated subsidiaries other than DL have established appropriate risk management systems in accordance with the Group's basic policy for risk management, etc.

DFLI utilizes derivatives in order to reduce the risk associated with guaranteed minimum maturity benefits of individual variable annuities and hedge foreign currency risks associated with bonds. For derivatives used to reduce the risk associated with guaranteed minimum maturity benefits of individual variable annuities, in accordance with its internal regulations to manage the risks associated with its guaranteed minimum maturity benefits, it (i) assesses the hedge effectiveness of derivative transactions, (ii) manages gains and losses from derivative transactions on a daily basis, and (iii) periodically checks its progress on reducing the risk associated with its guaranteed minimum maturity benefits and measures estimated losses based on VaR (value-at-risk). The risk management section is in charge of managing overall risks including risks associated with the guaranteed minimum maturity benefits, and periodically reports the status of such management to the board of directors, etc.

b) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, DL 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 frameworks 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 its 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 monitors current exposures.

The consolidated subsidiaries other than DL have established appropriate risk management systems in accordance with the Group's basic policy for risk management, etc.

**(4) 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. Also, for the contract value regarding derivative transactions described in "2. Fair Value of Financial Instruments", the contract value itself does not indicate market risk related to derivative transactions.

## 2. Fair Value of Financial Instruments

The carrying amount on the consolidated balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2016 and 2017 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, 2016                               |                   |                   |                  |
|--|-------------------|-------------------|------------------|
|  | Carrying amount   | Fair value        | Gains (losses)   |
| (Unit: million yen)                                |                   |                   |                  |
| (1) Cash and deposits                              | 843,405           | 843,411           | 6                |
| (2) Call loans                                     | 116,900           | 116,900           | —                |
| (3) Monetary claims bought                         | 239,299           | 239,299           | —                |
| (4) Money held in trust                            | 87,476            | 87,476            | —                |
| (5) Securities                                     |                   |                   |                  |
| a. Trading securities                              | 5,157,337         | 5,157,337         | —                |
| b. Held-to-maturity bonds                          | 117,272           | 113,410           | (3,862)          |
| c. Policy-reserve-matching bonds                   | 14,610,220        | 18,195,238        | 3,585,018        |
| d. Stocks of subsidiaries and affiliated companies | 40,526            | 62,802            | 22,275           |
| e. Available-for-sale securities                   | 20,641,643        | 20,641,643        | —                |
| (6) Loans  | 3,715,562         |                   |                  |
| Reserves for possible loan losses <sup>(*)</sup>   | (549)             |                   |                  |
|  | 3,715,013         | 3,854,510         | 139,497          |
| <b>Total assets</b>                                | <b>45,569,095</b> | <b>49,312,031</b> | <b>3,742,935</b> |
| (1) Bonds payable                                  | 485,682           | 497,702           | 12,019           |
| (2) Long-term borrowings                           | 364,050           | 366,516           | 2,466            |
| <b>Total liabilities</b>                           | <b>849,733</b>    | <b>864,219</b>    | <b>14,486</b>    |
| Derivative transactions <sup>(*)</sup>             |                   |                   |                  |
| a. Hedge accounting not applied                    | [24,791]          | [24,791]          | —                |
| b. Hedge accounting applied                        | 104,489           | 100,948           | (3,540)          |
| <b>Total derivative transactions</b>               | <b>79,698</b>     | <b>76,157</b>     | <b>(3,540)</b>   |

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

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

| As of March 31, 2017                               |                   |                   |                  |                            |                |                |
|--|-------------------|-------------------|------------------|----------------------------|----------------|----------------|
|  | Carrying amount   | Fair value        | Gains (losses)   | Carrying amount            | Fair value     | Gains (losses) |
| (Unit: million yen)                                |                   |                   |                  | (Unit: million US dollars) |                |                |
| (1) Cash and deposits                              | 881,965           | 881,965           | —                | 7,861                      | 7,861          | —              |
| (2) Call loans                                     | 98,500            | 98,500            | —                | 877                        | 877            | —              |
| (3) Monetary claims bought                         | 198,294           | 198,294           | —                | 1,767                      | 1,767          | —              |
| (4) Money held in trust                            | 333,111           | 333,111           | —                | 2,969                      | 2,969          | —              |
| (5) Securities                                     |                   |                   |                  |                            |                |                |
| a. Trading securities                              | 5,171,157         | 5,171,157         | —                | 46,092                     | 46,092         | —              |
| b. Held-to-maturity bonds                          | 369,012           | 369,239           | 226              | 3,289                      | 3,291          | 2              |
| c. Policy-reserve-matching bonds                   | 15,033,383        | 17,895,895        | 2,862,511        | 133,999                    | 159,514        | 25,514         |
| d. Stocks of subsidiaries and affiliated companies | 38,206            | 55,260            | 17,054           | 340                        | 492            | 152            |
| e. Available-for-sale securities                   | 22,264,874        | 22,264,874        | —                | 198,456                    | 198,456        | —              |
| (6) Loans  | 3,566,603         |                   |                  | 31,790                     |                |                |
| Reserves for possible loan losses <sup>(*)</sup>   | (892)             |                   |                  | (7)                        |                |                |
|  | 3,565,711         | 3,683,457         | 117,746          | 31,782                     | 32,832         | 1,049          |
| <b>Total assets</b>                                | <b>47,954,216</b> | <b>50,951,755</b> | <b>2,997,538</b> | <b>427,437</b>             | <b>454,155</b> | <b>26,718</b>  |
| (1) Bonds payable                                  | 989,743           | 996,144           | 6,401            | 8,822                      | 8,879          | 57             |
| (2) Long-term borrowings                           | 771,988           | 780,425           | 8,437            | 6,881                      | 6,956          | 75             |
| <b>Total liabilities</b>                           | <b>1,761,731</b>  | <b>1,776,570</b>  | <b>14,838</b>    | <b>15,703</b>              | <b>15,835</b>  | <b>132</b>     |
| Derivative transactions <sup>(*)</sup>             |                   |                   |                  |                            |                |                |
| a. Hedge accounting not applied                    | [26,955]          | [26,955]          | —                | [240]                      | [240]          | —              |
| b. Hedge accounting applied                        | [156,757]         | [159,730]         | (2,972)          | [1,397]                    | [1,423]        | (26)           |
| <b>Total derivative transactions</b>               | <b>[183,713]</b>  | <b>[186,685]</b>  | <b>(2,972)</b>   | <b>[1,637]</b>             | <b>[1,664]</b> | <b>(26)</b>    |

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

(\*) 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

(1) 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.

(2) Call loans

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

(3) Monetary claims bought

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

(4) 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.

For details on derivative transactions of money held in trust, please refer to XII. DERIVATIVE TRANSACTIONS.

(5) 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. Additionally, notes for the securities for each investment purpose are described in X. SECURITIES.

(6) 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 consolidated balance sheet minus reserve for possible loan losses at the end of the fiscal year. Therefore, that amount (the carrying amount on the consolidated balance sheet minus reserve for possible loan losses) is recorded as the 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

(1) Bonds payable

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

(2) 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 borrowing. Also, certain of long-term borrowings are deemed to have fair value close to book value, taking into account interest rates. Therefore, their book value is recorded as the fair value.

Derivative Instruments

For details on derivative transactions, please refer to XII. DERIVATIVE TRANSACTIONS.

Note 2: Financial instruments whose fair value is extremely difficult to recognize are as follows and are not included in the fair value of (5) Securities in Note 1

|   | As of March 31,     |         |                            |
|---|---------------------|---------|----------------------------|
|   | 2016                | 2017    | 2017                       |
|   | Carrying amount     |         |                            |
|   | (Unit: million yen) |         | (Unit: million US dollars) |
| 1. Unlisted domestic stocks <sup>(*)</sup> ( <sup>(2)</sup> ) | 161,949             | 170,966 | 1,523                      |
| 2. Unlisted foreign stocks <sup>(*)</sup> ( <sup>(2)</sup> )  | 46,950              | 58,542  | 521                        |
| 3. Other foreign securities <sup>(*)</sup> ( <sup>(2)</sup> ) | 692,672             | 472,414 | 4,210                      |
| 4. Other securities <sup>(*)</sup> ( <sup>(2)</sup> )         | 91,486              | 72,404  | 645                        |
| Total   | 993,059             | 774,328 | 6,901                      |

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

(<sup>(2)</sup>) For the fiscal years ended March 31, 2016 and 2017, impairment charges of ¥21 million and ¥74 million (US\$0 million), respectively, were recorded.

Note 3: Scheduled redemptions of monetary claims and securities with maturities

As of March 31, 2016

|   | Due in 1 year<br>or less | Due after 1 year<br>through 5 years | Due after 5 years<br>through 10 years | Due after<br>10 years |
|---|--------------------------|-------------------------------------|---------------------------------------|-----------------------|
| (Unit: million yen)   |                          |                                     |                                       |                       |
| Cash and deposits   | 842,670                  | 335                                 | 399                                   | —                     |
| Call loans  | 116,900                  | —                                   | —                                     | —                     |
| Monetary claims bought  | 12,000                   | 11,000                              | —                                     | 203,454               |
| Money held in trust <sup>(*)1</sup>                                   | 2,550                    | —                                   | —                                     | —                     |
| Securities:   |                          |                                     |                                       |                       |
| Held-to-maturity bonds (bonds)  | —                        | —                                   | 47,900                                | —                     |
| Held-to-maturity bonds(foreign securities)                            | —                        | —                                   | —                                     | 60,305                |
| Policy-reserve-matching bonds (bonds)                                 | 62,635                   | 318,002                             | 771,693                               | 11,536,628            |
| Policy-reserve-matching bonds (foreign securities)                    | 22,500                   | 57,112                              | 1,497,463                             | 233,797               |
| Available-for-sale securities with maturities (bonds)                 | 353,235                  | 1,133,089                           | 537,277                               | 1,802,166             |
| Available-for-sale securities with maturities<br>(foreign securities) | 601,818                  | 2,273,995                           | 2,701,541                             | 4,844,218             |
| Available-for-sale securities with maturities<br>(other securities)   | 17,389                   | 101,700                             | 283,211                               | 15,088                |
| Loans <sup>(*)2</sup>   | 408,915                  | 977,330                             | 991,702                               | 682,284               |

(\*)1 Money held in trust without maturities amounted to ¥84,836 million was not included.

(\*)2 Loans for which interest or principal payments cannot be forecasted, such as credit to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounted to ¥761 million were not included. Also, ¥616,770 million of loans without maturities were not included.

As of March 31, 2017

|   | Due in 1 year<br>or less | Due after 1 year<br>through 5 years | Due after 5 years<br>through 10 years | Due after<br>10 years |
|---|--------------------------|-------------------------------------|---------------------------------------|-----------------------|
| (Unit: million yen)   |                          |                                     |                                       |                       |
| Cash and deposits   | 881,462                  | 127                                 | 377                                   | —                     |
| Call loans  | 98,500                   | —                                   | —                                     | —                     |
| Monetary claims bought  | 5,000                    | 6,536                               | 2,582                                 | 178,261               |
| Securities:   |                          |                                     |                                       |                       |
| Held-to-maturity bonds (bonds)  | —                        | —                                   | 48,000                                | 200                   |
| Held-to-maturity bonds(foreign securities)                            | —                        | —                                   | —                                     | 312,309               |
| Policy-reserve-matching bonds (bonds)                                 | 87,692                   | 255,027                             | 987,625                               | 11,364,381            |
| Policy-reserve-matching bonds (foreign securities)                    | 9,626                    | 135,200                             | 1,896,005                             | 173,725               |
| Available-for-sale securities with maturities (bonds)                 | 204,571                  | 881,599                             | 875,559                               | 1,505,384             |
| Available-for-sale securities with maturities<br>(foreign securities) | 397,126                  | 2,353,495                           | 3,190,138                             | 6,031,753             |
| Available-for-sale securities with maturities<br>(other securities)   | 2,434                    | 146,638                             | 237,955                               | 5,344                 |
| Loans <sup>(*)</sup>  | 374,923                  | 929,364                             | 1,006,699                             | 639,059               |

As of March 31, 2017

|   | Due in 1 year<br>or less | Due after 1 year<br>through 5 years | Due after 5 years<br>through 10 years | Due after<br>10 years |
|---|--------------------------|-------------------------------------|---------------------------------------|-----------------------|
| (Unit: million US dollars)  |                          |                                     |                                       |                       |
| Cash and deposits   | 7,856                    | 1                                   | 3                                     | —                     |
| Call loans  | 877                      | —                                   | —                                     | —                     |
| Monetary claims bought  | 44                       | 58                                  | 23                                    | 1,588                 |
| Securities:   |                          |                                     |                                       |                       |
| Held-to-maturity bonds (bonds)  | —                        | —                                   | 427                                   | 1                     |
| Held-to-maturity bonds(foreign securities)                            | —                        | —                                   | —                                     | 2,783                 |
| Policy-reserve-matching bonds (bonds)                                 | 781                      | 2,273                               | 8,803                                 | 101,295               |
| Policy-reserve-matching bonds (foreign securities)                    | 85                       | 1,205                               | 16,899                                | 1,548                 |
| Available-for-sale securities with maturities (bonds)                 | 1,823                    | 7,858                               | 7,804                                 | 13,418                |
| Available-for-sale securities with maturities<br>(foreign securities) | 3,539                    | 20,977                              | 28,435                                | 53,763                |
| Available-for-sale securities with maturities<br>(other securities)   | 21                       | 1,307                               | 2,121                                 | 47                    |
| Loans <sup>(*)</sup>  | 3,341                    | 8,283                               | 8,973                                 | 5,696                 |

(\*) Loans for which interest or principal payments cannot be forecasted, such as credit to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounted to ¥124 million (US\$ 1 million) were not included. Also, ¥585,945 million (US\$ 5,222 million) of loans without maturities were not included.

Note 4: Scheduled maturities of bonds and long term borrowings

As of March 31, 2016

|                                     | Due in 1 year<br>or less | Due after 1 year<br>through 2 years | Due after 2 years<br>through 3 years | Due after 3 years<br>through 4 years | Due after 4 years<br>through 5 years | Due after<br>5 years |
|-------------------------------------|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| (Unit: million yen)                 |                          |                                     |                                      |                                      |                                      |                      |
| Bonds payable <sup>(*)</sup>        | –                        | –                                   | 18,091                               | 48,244                               | –                                    | 159,118              |
| Long term borrowings <sup>(*)</sup> | 3,277                    | –                                   | –                                    | 19,276                               | 58,495                               | –                    |

(\*) ¥215,727 million of bonds payable without maturities were not included.

(\*) ¥283,000 million of long term borrowings without maturities were not included.

As of March 31, 2017

|                                     | Due in 1 year<br>or less | Due after 1 year<br>through 2 years | Due after 2 years<br>through 3 years | Due after 3 years<br>through 4 years | Due after 4 years<br>through 5 years | Due after<br>5 years |
|-------------------------------------|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| (Unit: million yen)                 |                          |                                     |                                      |                                      |                                      |                      |
| Bonds payable <sup>(*)</sup>        | –                        | 17,473                              | 46,596                               | –                                    | –                                    | 419,593              |
| Long term borrowings <sup>(*)</sup> | –                        | –                                   | 19,185                               | 19,803                               | 450,000                              | –                    |

As of March 31, 2017

|                                     | Due in 1 year<br>or less | Due after 1 year<br>through 2 years | Due after 2 years<br>through 3 years | Due after 3 years<br>through 4 years | Due after 4 years<br>through 5 years | Due after<br>5 years |
|-------------------------------------|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| (Unit: million US dollars)          |                          |                                     |                                      |                                      |                                      |                      |
| Bonds payable <sup>(*)</sup>        | –                        | 155                                 | 415                                  | –                                    | –                                    | 3,740                |
| Long term borrowings <sup>(*)</sup> | –                        | –                                   | 171                                  | 176                                  | 4,011                                | –                    |

(\*) ¥476,277 million (US\$ 4,245 million) of bonds payable without maturities were not included.

(\*) ¥283,000 million (US\$ 2,522 million) of long term borrowings without maturities were not included.

## X. SECURITIES

### 1. Trading Securities

|   | Year ended March 31, |        |                            |
|---|----------------------|--------|----------------------------|
|   | 2016                 | 2017   | 2017                       |
|   | (Unit: million yen)  |        | (Unit: million US dollars) |
| Gains (losses) on valuation of trading securities | (389,394)            | 86,628 | 772                        |

### 2. Held-to-maturity Bonds

As of March 31, 2016

|   | Carrying<br>amount | Fair<br>value | Unrealized<br>gains (losses) |
|---|--------------------|---------------|------------------------------|
| (Unit: million yen)                                 |                    |               |                              |
| Held-to-maturity securities with unrealized gains:  |                    |               |                              |
| (1) Bonds   | 45,712             | 51,296        | 5,583                        |
| a. Government bonds                                 | 45,712             | 51,296        | 5,583                        |
| b. Local government bonds                           | –                  | –             | –                            |
| c. Corporate bonds                                  | –                  | –             | –                            |
| (2) Foreign securities                              | –                  | –             | –                            |
| a. Foreign bonds                                    | –                  | –             | –                            |
| Subtotal  | 45,712             | 51,296        | 5,583                        |
| Held-to-maturity securities with unrealized losses: |                    |               |                              |
| (1) Bonds   | –                  | –             | –                            |
| a. Government bonds                                 | –                  | –             | –                            |
| b. Local government bonds                           | –                  | –             | –                            |
| c. Corporate bonds                                  | –                  | –             | –                            |
| (2) Foreign securities                              | 71,559             | 62,114        | (9,445)                      |
| a. Foreign bonds                                    | 71,559             | 62,114        | (9,445)                      |
| Subtotal  | 71,559             | 62,114        | (9,445)                      |
| Total   | 117,272            | 113,410       | (3,862)                      |

| As of March 31, 2017                                |                     |               |                                 |                            |               |                                 |
|---|---------------------|---------------|---------------------------------|----------------------------|---------------|---------------------------------|
|   | Carrying<br>amount  | Fair<br>value | Unrealized<br>gains<br>(losses) | Carrying<br>amount         | Fair<br>value | Unrealized<br>gains<br>(losses) |
|   | (Unit: million yen) |               |                                 | (Unit: million US dollars) |               |                                 |
| Held-to-maturity securities with unrealized gains:  |                     |               |                                 |                            |               |                                 |
| (1) Bonds   | 46,114              | 50,634        | 4,520                           | 411                        | 451           | 40                              |
| a. Government bonds                                 | 46,014              | 50,534        | 4,519                           | 410                        | 450           | 40                              |
| b. Local government bonds                           | —                   | —             | —                               | —                          | —             | —                               |
| c. Corporate bonds                                  | 100                 | 100           | 0                               | 0                          | 0             | 0                               |
| (2) Foreign securities                              | 246,492             | 250,032       | 3,539                           | 2,197                      | 2,228         | 31                              |
| a. Foreign bonds                                    | 246,492             | 250,032       | 3,539                           | 2,197                      | 2,228         | 31                              |
| Subtotal  | 292,607             | 300,667       | 8,059                           | 2,608                      | 2,679         | 71                              |
| Held-to-maturity securities with unrealized losses: |                     |               |                                 |                            |               |                                 |
| (1) Bonds   | 200                 | 197           | (2)                             | 1                          | 1             | (0)                             |
| a. Government bonds                                 | —                   | —             | —                               | —                          | —             | —                               |
| b. Local government bonds                           | —                   | —             | —                               | —                          | —             | —                               |
| c. Corporate bonds                                  | 200                 | 197           | (2)                             | 1                          | 1             | (0)                             |
| (2) Foreign securities                              | 76,205              | 68,374        | (7,830)                         | 679                        | 609           | (69)                            |
| a. Foreign bonds                                    | 76,205              | 68,374        | (7,830)                         | 679                        | 609           | (69)                            |
| Subtotal  | 76,405              | 68,571        | (7,833)                         | 681                        | 611           | (69)                            |
| Total   | 369,012             | 369,239       | 226                             | 3,289                      | 3,291         | 2                               |

### 3. Policy-reserve-matching Bonds

| As of March 31, 2016                                  |                    |               |                              |
|---|--------------------|---------------|------------------------------|
|   | Carrying<br>amount | Fair<br>value | Unrealized<br>gains (losses) |
| (Unit: million yen)                                   |                    |               |                              |
| Policy-reserve-matching bonds with unrealized gains:  |                    |               |                              |
| (1) Bonds   | 12,732,605         | 16,226,332    | 3,493,726                    |
| a. Government bonds                                   | 11,970,435         | 15,387,062    | 3,416,626                    |
| b. Local government bonds                             | 88,042             | 105,430       | 17,387                       |
| c. Corporate bonds                                    | 674,127            | 733,839       | 59,712                       |
| (2) Foreign Securities                                | 1,790,126          | 1,883,214     | 93,088                       |
| a. Foreign bonds                                      | 1,790,126          | 1,883,214     | 93,088                       |
| Subtotal  | 14,522,732         | 18,109,547    | 3,586,814                    |
| Policy-reserve-matching bonds with unrealized losses: |                    |               |                              |
| (1) Bonds   | 9,644              | 9,455         | (189)                        |
| a. Government bonds                                   | 500                | 496           | (4)                          |
| b. Local government bonds                             | 327                | 323           | (4)                          |
| c. Corporate bonds                                    | 8,816              | 8,635         | (180)                        |
| (2) Foreign Securities                                | 77,843             | 76,236        | (1,606)                      |
| a. Foreign bonds                                      | 77,843             | 76,236        | (1,606)                      |
| Subtotal  | 87,488             | 85,691        | (1,796)                      |
| Total   | 14,610,220         | 18,195,238    | 3,585,018                    |

| As of March 31, 2017                                  |                     |               |                                 |                            |               |                                 |
|---|---------------------|---------------|---------------------------------|----------------------------|---------------|---------------------------------|
|   | Carrying<br>amount  | Fair<br>value | Unrealized<br>gains<br>(losses) | Carrying<br>amount         | Fair<br>value | Unrealized<br>gains<br>(losses) |
|   | (Unit: million yen) |               |                                 | (Unit: million US dollars) |               |                                 |
| Policy-reserve-matching bonds with unrealized gains:  |                     |               |                                 |                            |               |                                 |
| (1) Bonds   | 12,278,630          | 15,115,009    | 2,836,379                       | 109,444                    | 134,726       | 25,281                          |
| a. Government bonds                                   | 11,593,476          | 14,367,524    | 2,774,047                       | 103,337                    | 128,064       | 24,726                          |
| b. Local government bonds                             | 82,734              | 96,762        | 14,027                          | 737                        | 862           | 125                             |
| c. Corporate bonds                                    | 602,419             | 650,723       | 48,303                          | 5,369                      | 5,800         | 430                             |
| (2) Foreign securities                                | 1,607,541           | 1,672,229     | 64,687                          | 14,328                     | 14,905        | 576                             |
| a. Foreign bonds                                      | 1,607,541           | 1,672,229     | 64,687                          | 14,328                     | 14,905        | 576                             |
| Subtotal  | 13,886,172          | 16,787,238    | 2,901,066                       | 123,773                    | 149,632       | 25,858                          |
| Policy-reserve-matching bonds with unrealized losses: |                     |               |                                 |                            |               |                                 |
| (1) Bonds   | 459,414             | 438,114       | (21,299)                        | 4,094                      | 3,905         | (189)                           |
| a. Government bonds                                   | 356,006             | 337,018       | (18,988)                        | 3,173                      | 3,003         | (169)                           |
| b. Local government bonds                             | 953                 | 936           | (16)                            | 8                          | 8             | (0)                             |
| c. Corporate bonds                                    | 102,454             | 100,159       | (2,294)                         | 913                        | 892           | (20)                            |
| (2) Foreign securities                                | 687,796             | 670,541       | (17,255)                        | 6,130                      | 5,976         | (153)                           |
| a. Foreign bonds                                      | 687,796             | 670,541       | (17,255)                        | 6,130                      | 5,976         | (153)                           |
| Subtotal  | 1,147,211           | 1,108,656     | (38,555)                        | 10,225                     | 9,881         | (343)                           |
| Total   | 15,033,383          | 17,895,895    | 2,862,511                       | 133,999                    | 159,514       | 25,514                          |

#### 4. Available-for-sale Securities

| As of March 31, 2016                                  |                    |                     |                              |
|---|--------------------|---------------------|------------------------------|
|   | Carrying<br>amount | Acquisition<br>cost | Unrealized<br>gains (losses) |
| (Unit: million yen)                                   |                    |                     |                              |
| Available-for-sale securities with unrealized gains:  |                    |                     |                              |
| (1) Bonds   | 4,692,865          | 4,065,026           | 627,838                      |
| a. Government bonds                                   | 3,007,861          | 2,462,247           | 545,613                      |
| b. Local government bonds                             | 47,178             | 44,485              | 2,693                        |
| c. Corporate bonds                                    | 1,637,825          | 1,558,293           | 79,531                       |
| (2) Domestic stocks                                   | 2,618,029          | 1,208,765           | 1,409,264                    |
| (3) Foreign securities                                | 7,025,848          | 6,167,347           | 858,501                      |
| a. Foreign bonds                                      | 6,586,146          | 5,845,261           | 740,885                      |
| b. Other foreign securities                           | 439,702            | 322,086             | 117,616                      |
| (4) Other securities                                  | 701,520            | 648,462             | 53,058                       |
| Subtotal  | 15,038,265         | 12,089,601          | 2,948,663                    |
| Available-for-sale securities with unrealized losses: |                    |                     |                              |
| (1) Bonds   | 39,190             | 40,299              | (1,109)                      |
| a. Government bonds                                   | 8,722              | 8,784               | (62)                         |
| b. Local government bonds                             | 2,850              | 3,032               | (181)                        |
| c. Corporate bonds                                    | 27,617             | 28,482              | (865)                        |
| (2) Domestic stocks                                   | 372,455            | 468,913             | (96,457)                     |
| (3) Foreign securities                                | 5,136,192          | 5,564,987           | (428,794)                    |
| a. Foreign bonds                                      | 4,755,249          | 5,156,003           | (400,753)                    |
| b. Other foreign securities                           | 380,942            | 408,983             | (28,041)                     |
| (4) Other securities                                  | 294,840            | 308,187             | (13,347)                     |
| Subtotal  | 5,842,678          | 6,382,388           | (539,709)                    |
| Total   | 20,880,943         | 18,471,989          | 2,408,954                    |

Note: Other securities include trust beneficiary rights, which were recorded as monetary claims bought on the consolidated balance sheet. The aggregate acquisition cost and carrying amount of trust beneficiary rights were ¥226,436 million and ¥239,299 million, respectively, as of March 31, 2016.



| As of March 31, 2017                                  |                     |                     |                                 |                            |                     |                                 |
|---|---------------------|---------------------|---------------------------------|----------------------------|---------------------|---------------------------------|
|   | Carrying<br>amount  | Acquisition<br>cost | Unrealized<br>gains<br>(losses) | Carrying<br>amount         | Acquisition<br>cost | Unrealized<br>gains<br>(losses) |
|   | (Unit: million yen) |                     |                                 | (Unit: million US dollars) |                     |                                 |
| Available-for-sale securities with unrealized gains:  |                     |                     |                                 |                            |                     |                                 |
| (1) Bonds   | 3,973,439           | 3,470,472           | 502,966                         | 35,417                     | 30,933              | 4,483                           |
| a. Government bonds                                   | 2,554,098           | 2,118,821           | 435,276                         | 22,765                     | 18,886              | 3,879                           |
| b. Local government bonds                             | 31,009              | 28,960              | 2,048                           | 276                        | 258                 | 18                              |
| c. Corporate bonds                                    | 1,388,331           | 1,322,689           | 65,641                          | 12,374                     | 11,789              | 585                             |
| (2) Domestic stocks                                   | 3,163,836           | 1,451,271           | 1,712,564                       | 28,200                     | 12,935              | 15,264                          |
| (3) Foreign securities                                | 6,864,296           | 6,207,031           | 657,264                         | 61,184                     | 55,326              | 5,858                           |
| a. Foreign bonds                                      | 6,199,067           | 5,679,326           | 519,740                         | 55,255                     | 50,622              | 4,632                           |
| b. Other foreign securities                           | 665,229             | 527,704             | 137,524                         | 5,929                      | 4,703               | 1,225                           |
| (4) Other securities                                  | 793,921             | 742,003             | 51,918                          | 7,076                      | 6,613               | 462                             |
| Subtotal  | 14,795,493          | 11,870,778          | 2,924,715                       | 131,878                    | 105,809             | 26,069                          |
| Available-for-sale securities with unrealized losses: |                     |                     |                                 |                            |                     |                                 |
| (1) Bonds   | 440,817             | 449,358             | (8,541)                         | 3,929                      | 4,005               | (76)                            |
| a. Government bonds                                   | 4,695               | 4,809               | (114)                           | 41                         | 42                  | (1)                             |
| b. Local government bonds                             | 6,657               | 6,884               | (226)                           | 59                         | 61                  | (2)                             |
| c. Corporate bonds                                    | 429,463             | 437,664             | (8,200)                         | 3,827                      | 3,901               | (73)                            |
| (2) Domestic stocks                                   | 171,701             | 196,399             | (24,698)                        | 1,530                      | 1,750               | (220)                           |
| (3) Foreign securities                                | 6,901,688           | 7,245,367           | (343,678)                       | 61,517                     | 64,581              | (3,063)                         |
| a. Foreign bonds                                      | 6,636,465           | 6,967,034           | (330,568)                       | 59,153                     | 62,100              | (2,946)                         |
| b. Other foreign securities                           | 265,222             | 278,332             | (13,109)                        | 2,364                      | 2,480               | (116)                           |
| (4) Other securities                                  | 203,465             | 207,229             | (3,763)                         | 1,813                      | 1,847               | (33)                            |
| Subtotal  | 7,717,673           | 8,098,355           | (380,682)                       | 68,791                     | 72,184              | (3,393)                         |
| Total   | 22,513,167          | 19,969,134          | 2,544,032                       | 200,669                    | 177,993             | 22,676                          |

Note: Other securities include (1) certificates of deposit and (2) trust beneficiary rights, which were recorded as cash and deposits and monetary claims bought on the consolidated balance sheet, respectively. The aggregate acquisition cost and carrying amount of such certificates of deposit were ¥50,000 million (US\$445 million) and ¥49,998 million (US\$445 million), respectively, as of March 31, 2017. The aggregate acquisition cost and carrying amount of trust beneficiary rights were ¥192,393 million (US\$1,714 million) and ¥198,294 million (US\$1,767 million), respectively, as of March 31, 2017.

## 5. Held-to-maturity Bonds Sold

The Company and its consolidated subsidiaries sold no held-to-maturity bonds during the fiscal years ended March 31, 2016 and 2017.

## 6. Policy-reserve-matching Bonds Sold

Policy-reserve-matching bonds sold during the fiscal years ended March 31, 2016 and 2017 were as follows:

| Year ended March 31, 2016   |               |                |                 |
|-----------------------------|---------------|----------------|-----------------|
|                             | Amounts sold  | Realized gains | Realized losses |
| (Unit: million yen)         |               |                |                 |
| (1) Bonds                   | 8,610         | 310            | —               |
| a. Government bonds         | —             | —              | —               |
| b. Local government bonds   | —             | —              | —               |
| c. Corporate bonds          | 8,610         | 310            | —               |
| (2) Foreign securities      | 51,836        | 2,007          | 192             |
| a. Foreign bonds            | 51,836        | 2,007          | 192             |
| b. Other foreign securities | —             | —              | —               |
| <b>Total</b>                | <b>60,446</b> | <b>2,317</b>   | <b>192</b>      |

| Year ended March 31, 2017   |                |                |                            |              |                |                 |
|-----------------------------|----------------|----------------|----------------------------|--------------|----------------|-----------------|
|                             | Amounts sold   | Realized gains | Realized losses            | Amounts sold | Realized gains | Realized losses |
| (Unit: million yen)         |                |                | (Unit: million US dollars) |              |                |                 |
| (1) Bonds                   | 566,221        | 87,047         | 6,138                      | 5,046        | 775            | 54              |
| a. Government bonds         | 502,214        | 86,072         | —                          | 4,476        | 767            | —               |
| b. Local government bonds   | 20,640         | —              | 2,559                      | 183          | —              | 22              |
| c. Corporate bonds          | 43,366         | 975            | 3,578                      | 386          | 8              | 31              |
| (2) Foreign securities      | 45,376         | 785            | 1,590                      | 404          | 6              | 14              |
| a. Foreign bonds            | 45,376         | 785            | 1,590                      | 404          | 6              | 14              |
| b. Other foreign securities | —              | —              | —                          | —            | —              | —               |
| <b>Total</b>                | <b>611,598</b> | <b>87,832</b>  | <b>7,729</b>               | <b>5,451</b> | <b>782</b>     | <b>68</b>       |

## 7. Available-for-sale Securities Sold

Available-for-sale securities sold during the fiscal years ended March 31, 2016 and 2017 were as follows:

| Year ended March 31, 2016   |              |                |                 |
|-----------------------------|--------------|----------------|-----------------|
|                             | Amounts sold | Realized gains | Realized losses |
| (Unit: million yen)         |              |                |                 |
| (1) Bonds                   | 321,360      | 7,697          | 464             |
| a. Government bonds         | 228,109      | 6,438          | 190             |
| b. Local government bonds   | —            | —              | —               |
| c. Corporate bonds          | 93,251       | 1,259          | 274             |
| (2) Domestic stocks         | 104,291      | 34,591         | 4,406           |
| (3) Foreign securities      | 2,391,246    | 173,683        | 56,628          |
| a. Foreign bonds            | 2,125,406    | 112,586        | 38,354          |
| b. Other foreign securities | 265,839      | 61,096         | 18,273          |
| (4) Other securities        | 88,544       | 4,119          | 2,598           |
| Total                       | 2,905,443    | 220,092        | 64,097          |

| Year ended March 31, 2017   |              |                |                            |              |                |                 |
|-----------------------------|--------------|----------------|----------------------------|--------------|----------------|-----------------|
|                             | Amounts sold | Realized gains | Realized losses            | Amounts sold | Realized gains | Realized losses |
| (Unit: million yen)         |              |                | (Unit: million US dollars) |              |                |                 |
| (1) Bonds                   | 453,904      | 34,504         | 2,266                      | 4,045        | 307            | 20              |
| a. Government bonds         | 308,013      | 30,289         | 251                        | 2,745        | 269            | 2               |
| b. Local government bonds   | —            | —              | —                          | —            | —              | —               |
| c. Corporate bonds          | 145,890      | 4,215          | 2,014                      | 1,300        | 37             | 17              |
| (2) Domestic Stocks         | 116,184      | 28,882         | 10,170                     | 1,035        | 257            | 90              |
| (3) Foreign securities      | 1,622,461    | 71,430         | 70,317                     | 14,461       | 636            | 626             |
| a. Foreign bonds            | 1,420,829    | 33,721         | 56,972                     | 12,664       | 300            | 507             |
| b. Other foreign securities | 201,632      | 37,709         | 13,344                     | 1,797        | 336            | 118             |
| (4) Other securities        | 66,818       | 874            | 3,777                      | 595          | 7              | 33              |
| Total                       | 2,259,368    | 135,692        | 86,531                     | 20,138       | 1,209          | 771             |

## 8. Securities Written Down

The Company and its consolidated subsidiaries write down the balance of certain available-for-sale securities with fair values (1) when the fair value of such securities declines by 50%, or more, of its purchase cost or (2) when the fair value of such securities without a certain level of creditworthiness declines by 30% or more, but less than 50%, of its purchase cost unless it is deemed that there is a possibility that the fair value of the security could recover to equal or exceed the purchase cost. The aggregate amounts written down from the balance of available-for-sale securities with fair value for the fiscal years ended March 31, 2016 and 2017 were ¥4,108 million and ¥ 27,098 million (US\$241 million), respectively.

## XI. MONEY HELD IN TRUST

### 1. Money Held in Trust for Trading

|  | As of March 31,     |          |                            |
|--|---------------------|----------|----------------------------|
|  | 2016                | 2017     | 2017                       |
|  | (Unit: million yen) |          | (Unit: million US dollars) |
| Carrying amount on the consolidated balance sheet  | 84,836              | 333,111  | 2,969                      |
| Gains (losses) on valuation of money held in trust | (5,450)             | (14,321) | (127)                      |

### 2. Money Held in Trust Classified as Available-For-Sale

|   | As of March 31, 2016 |                     |                                 |
|---|----------------------|---------------------|---------------------------------|
|   | Carrying<br>amount   | Acquisition<br>cost | Unrealized<br>gains<br>(losses) |
| (Unit: million yen)   |                      |                     |                                 |
| Money held in trust classified as available-for-sale with unrealized gains: |                      |                     |                                 |
| Money held in trust classified as<br>available-for-sale                     | 2,640                | 2,587               | 52                              |
| Total   | 2,640                | 2,587               | 52                              |

As of March 31, 2017

Not applicable

## XII. DERIVATIVE TRANSACTIONS

### 1. Derivative Transactions (Hedge Accounting Not Applied)

#### (1) Currency-related transactions

| As of March 31, 2016                |   |                                      |               |                   |
|-------------------------------------|---|--------------------------------------|---------------|-------------------|
|                                     | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)                 |   |                                      |               |                   |
| Exchange-traded transactions:       |   |                                      |               |                   |
| Currency futures:                   |   |                                      |               |                   |
| Sold                                | 33,002  | —                                    | 166           | 166               |
| Euro / U.S. dollar                  | 14,551  | —                                    | 10            | 10                |
| British pound / U.S. dollar         | 12,818  | —                                    | 290           | 290               |
| Yen / U.S. dollar                   | 5,631   | —                                    | (134)         | (134)             |
| Over-the-counter transactions:      |   |                                      |               |                   |
| Foreign currency forward contracts: |   |                                      |               |                   |
| Sold                                | 1,519,781                                       | —                                    | 13,123        | 13,123            |
| U.S. dollar                         | 620,059   | —                                    | 16,987        | 16,987            |
| Euro                                | 407,142   | —                                    | 3,216         | 3,216             |
| Australian dollar                   | 168,678   | —                                    | (5,508)       | (5,508)           |
| British pound                       | 102,836   | —                                    | 277           | 277               |
| Canadian dollar                     | 42,795  | —                                    | (253)         | (253)             |
| Others                              | 178,269   | —                                    | (1,596)       | (1,596)           |
| Bought                              | 881,113   | —                                    | (6,782)       | (6,782)           |
| U.S. dollar                         | 466,897   | —                                    | (11,137)      | (11,137)          |
| Euro                                | 131,026   | —                                    | 1,145         | 1,145             |
| Australian dollar                   | 91,353  | —                                    | 2,972         | 2,972             |
| British pound                       | 64,237  | —                                    | 22            | 22                |
| Canadian dollar                     | 29,433  | —                                    | 16            | 16                |
| Others                              | 98,164  | —                                    | 198           | 198               |
| Currency swaps:                     |   |                                      |               |                   |
| Receipts yen, payments              |   |                                      |               |                   |
| foreign currency                    | 1,560   | —                                    | (212)         | (212)             |
| Australian dollar                   | 1,560   | —                                    | (212)         | (212)             |
| Currency options:                   |   |                                      |               |                   |
| Bought:                             |   |                                      |               |                   |
| Call                                | 57,179  |                                      |               |                   |
| [722]                               |   | —                                    | 0             | (722)             |
| Euro                                | 57,179  |                                      |               |                   |
| [722]                               |   | —                                    | 0             | (722)             |
| Put                                 | 241,613   |                                      |               |                   |
| [5,242]                             |   | —                                    | 3,440         | (1,801)           |
| U.S. dollar                         | 219,498   |                                      |               |                   |
| [4,652]                             |   | —                                    | 3,435         | (1,217)           |
| Australian dollar                   | 22,115  |                                      |               |                   |
| [589]                               |   | —                                    | 4             | (584)             |
| Total return swaps:                 |   |                                      |               |                   |
| Foreign currency index              |   |                                      |               |                   |
| linked                              | 226,706   | 226,706                              | (9,164)       | (9,164)           |
| Total                               | —   | —                                    | —             | (5,394)           |

Note: 1. (1) Fair value of currency futures listed above is based on the closing exchange-traded prices and the prices quoted from counterparty financial institutions.

(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.

(3) Fair value of currency swaps is calculated by discounting expected cash flows.

(4) An option pricing model is used for fair value calculation of currency options or the prices quoted from financial institutions.

(5) Fair value of total return swaps is based on fair value calculated by referred index of 31 March, 2016.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.

3. Fair value for forward contracts and swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

As of March 31, 2017

|   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
|---|---|--------------------------------------|---------------|-------------------|---|--------------------------------------|---------------|-------------------|
|   | (Unit: million yen)                             |                                      |               |                   | (Unit: million US dollars)                      |                                      |               |                   |
| Exchange-traded transactions:           |   |                                      |               |                   |   |                                      |               |                   |
| Currency futures:                       |   |                                      |               |                   |   |                                      |               |                   |
| Sold                                    | 39,613  | —                                    | 918           | 918               | 353   | —                                    | 8             | 8                 |
| British pound / U.S. dollar             | 16,657  | —                                    | 399           | 399               | 148   | —                                    | 3             | 3                 |
| Euro / U.S. dollar                      | 14,865  | —                                    | 315           | 315               | 132   | —                                    | 2             | 2                 |
| Yen / U.S. dollar                       | 8,089   | —                                    | 203           | 203               | 72  | —                                    | 1             | 1                 |
| Over-the-counter transactions:          |   |                                      |               |                   |   |                                      |               |                   |
| Foreign currency forward contracts:     |   |                                      |               |                   |   |                                      |               |                   |
| Sold                                    | 1,287,415                                       | —                                    | (12,627)      | (12,627)          | 11,475  | —                                    | (112)         | (112)             |
| U.S. dollar                             | 521,976   | —                                    | (4,419)       | (4,419)           | 4,652   | —                                    | (39)          | (39)              |
| Euro                                    | 342,932   | —                                    | (3,446)       | (3,446)           | 3,056   | —                                    | (30)          | (30)              |
| Australian dollar                       | 184,870   | —                                    | (4,414)       | (4,414)           | 1,647   | —                                    | (39)          | (39)              |
| British pound                           | 53,509  | —                                    | 101           | 101               | 476   | —                                    | 0             | 0                 |
| Canadian dollar                         | 45,155  | —                                    | 31            | 31                | 402   | —                                    | 0             | 0                 |
| Others                                  | 138,970   | —                                    | (481)         | (481)             | 1,238   | —                                    | (4)           | (4)               |
| Bought                                  | 1,056,823                                       | —                                    | 5,344         | 5,344             | 9,419   | —                                    | 47            | 47                |
| U.S. dollar                             | 611,750   | —                                    | 3,685         | 3,685             | 5,452   | —                                    | 32            | 32                |
| Euro                                    | 348,741   | —                                    | (684)         | (684)             | 3,108   | —                                    | (6)           | (6)               |
| Australian dollar                       | 17,067  | —                                    | 524           | 524               | 152   | —                                    | 4             | 4                 |
| Canadian dollar                         | 16,427  | —                                    | (153)         | (153)             | 146   | —                                    | (1)           | (1)               |
| British pound                           | 9,057   | —                                    | (26)          | (26)              | 80  | —                                    | (0)           | (0)               |
| Others                                  | 53,778  | —                                    | 1,999         | 1,999             | 479   | —                                    | 17            | 17                |
| Currency swaps:                         |   |                                      |               |                   |   |                                      |               |                   |
| Receipts foreign currency, payments yen | 117,326   | 117,326                              | 3,634         | 3,634             | 1,045   | 1,045                                | 32            | 32                |
| Australian dollar                       | 117,326   | 117,326                              | 3,634         | 3,634             | 1,045   | 1,045                                | 32            | 32                |
| Currency options:                       |   |                                      |               |                   |   |                                      |               |                   |
| Sold:                                   |   |                                      |               |                   |   |                                      |               |                   |
| Call                                    | 93,491  |                                      |               |                   | 833   |                                      |               |                   |
|   | [690]   | —                                    | —             | 690               | [6]   | —                                    | —             | 6                 |
| U.S. dollar                             | 93,491  |                                      |               |                   | 833   |                                      |               |                   |
|   | [690]   | —                                    | —             | 690               | [6]   | —                                    | —             | 6                 |
| Bought:                                 |   |                                      |               |                   |   |                                      |               |                   |
| Put                                     | 521,866   |                                      |               |                   | 4,651   |                                      |               |                   |
|   | [7,321]   | —                                    | 2,668         | (4,652)           | [65]  | —                                    | 23            | (41)              |
| U.S. dollar                             | 412,966   |                                      |               |                   | 3,680   |                                      |               |                   |
|   | [6,656]   | —                                    | 2,445         | (4,210)           | [59]  | —                                    | 21            | (37)              |
| Euro                                    | 108,899   |                                      |               |                   | 970   |                                      |               |                   |
|   | [664]   | —                                    | 223           | (441)             | [5]   | —                                    | 1             | (3)               |
| Total return swaps:                     |   |                                      |               |                   |   |                                      |               |                   |
| Foreign currency index linked           |   |                                      |               |                   |   |                                      |               |                   |
|   | 177,858   | 177,858                              | (4,559)       | (4,559)           | 1,585   | 1,585                                | (40)          | (40)              |
| Total                                   | —   | —                                    | —             | (11,251)          | —   | —                                    | —             | (100)             |

Note: 1. (1) Fair value of currency futures listed above is based on the closing exchange-traded prices and the prices quoted from counterparty financial institutions.

(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.

(3) Fair value of currency swaps is calculated by discounting expected cash flows.

(4) An option pricing model is used for fair value calculation of currency options or the prices quoted from financial institutions.

(5) Fair value of total return swaps is based on fair value calculated by referred index of 31 March, 2017.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.

3. Fair value for forward contracts and swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

## (2) Interest-related transactions

As of March 31, 2016

|                                   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
|-----------------------------------|---|--------------------------------------|---------------|-------------------|
| (Unit: million yen)               |   |                                      |               |                   |
| Over-the-counter transactions:    |   |                                      |               |                   |
| Yen interest rate swaps:          |   |                                      |               |                   |
| Receipts fixed, payments floating | 505,940   | 505,940                              | 5,852         | 5,852             |
| Receipts floating, payments fixed | 34,764  | 34,764                               | (194)         | (194)             |
| Yen interest rate swaptions:      |   |                                      |               |                   |
| Sold:                             |   |                                      |               |                   |
| Receipts floating, payments fixed | 350,000<br>[1,672]                              | 350,000<br>[1,672]                   | 983           | 689               |
| Bought:                           |   |                                      |               |                   |
| Receipts fixed, payments floating | 100,000<br>[2,457]                              | —                                    | 2,760         | 303               |
| Receipts floating, payments fixed | 1,177,137<br>[20,662]                           | 1,097,137<br>[19,739]                | 6,963         | (13,698)          |
| <b>Total</b>                      | <b>—</b>  | <b>—</b>                             | <b>—</b>      | <b>(7,048)</b>    |

Note: 1. (1) Fair value of yen interest rate swaps listed above is present value of expected cash flows, discounted by the interest rates at the end of the year or the prices quoted from financial institutions.

(2) Fair value of yen interest rate swaptions is based on the prices quoted from financial institutions.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.

3. Fair value for swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

As of March 31, 2017

|                                   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
|-----------------------------------|---|--------------------------------------|---------------|-------------------|---|--------------------------------------|---------------|-------------------|
| (Unit: million yen)               |   |                                      |               |                   | (Unit: million US dollars)                      |                                      |               |                   |
| Over-the-counter transactions:    |   |                                      |               |                   |   |                                      |               |                   |
| Yen interest rate swaps:          |   |                                      |               |                   |   |                                      |               |                   |
| Receipts fixed, payments floating | 193,788   | 193,618                              | 6,629         | 6,629             | 1,727   | 1,725                                | 59            | 59                |
| Receipts floating, payments fixed | 52,254  | 52,254                               | 131           | 131               | 465   | 465                                  | 1             | 1                 |
| Yen interest rate swaptions:      |   |                                      |               |                   |   |                                      |               |                   |
| Sold:                             |   |                                      |               |                   |   |                                      |               |                   |
| Receipts floating, payments fixed | 350,000<br>[1,672]                              | —                                    | 67            | 1,604             | 3,119<br>[14]                                   | —                                    | 0             | 14                |
| Bought:                           |   |                                      |               |                   |   |                                      |               |                   |
| Receipts floating, payments fixed | 1,176,210<br>[20,235]                           | 881,210<br>[16,967]                  | 2,311         | (17,923)          | 10,484<br>[180]                                 | 7,854<br>[151]                       | 20            | (159)             |
| <b>Total</b>                      | <b>—</b>  | <b>—</b>                             | <b>—</b>      | <b>(9,558)</b>    | <b>—</b>  | <b>—</b>                             | <b>—</b>      | <b>(85)</b>       |

Note: 1. (1) Fair value of yen interest rate swaps listed above is present value of expected cash flows, discounted by the interest rates at the end of the year or the prices quoted from financial institutions.

(2) An option pricing model is used for fair value calculation of yen interest rate swaptions or the prices quoted from financial institutions.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.

3. Fair value for swaps, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

### (3) Stock-related transactions

As of March 31, 2016

|  | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
|--|---|--------------------------------------|---------------|-------------------|
| (Unit: million yen)                                |   |                                      |               |                   |
| Exchange-traded transactions:                      |   |                                      |               |                   |
| Yen stock index futures:                           |   |                                      |               |                   |
| Sold   | 28,975  | —                                    | 6             | 6                 |
| Bought   | 8,238   | —                                    | (4)           | (4)               |
| Foreign currency-denominated stock index futures:  |   |                                      |               |                   |
| Sold   | 72,213  | —                                    | (517)         | (517)             |
| Bought   | 17,149  | —                                    | 185           | 185               |
| Yen stock index options:                           |   |                                      |               |                   |
| Sold:  |   |                                      |               |                   |
| Call   | 59,972<br>[144]                                 | —                                    | 2             | 141               |
| Bought:  |   |                                      |               |                   |
| Put  | 99,990<br>[6,366]                               | —                                    | 53            | (6,312)           |
| Foreign currency-denominated stock index options:  |   |                                      |               |                   |
| Sold:  |   |                                      |               |                   |
| Call   | 130,893<br>[5,070]                              | —                                    | 2,407         | 2,663             |
| Bought:  |   |                                      |               |                   |
| Call   | 106,155<br>[6,098]                              | —                                    | 4,077         | (2,021)           |
| Put  | 68,308<br>[8,079]                               | 27,307<br>[5,868]                    | 7,050         | (1,029)           |
| Others:  |   |                                      |               |                   |
| Bought:  |   |                                      |               |                   |
| Call   | 29<br>[36]                                      | 18<br>[15]                           | 41            | 5                 |
| Over-the-counter transactions:                     |   |                                      |               |                   |
| Equity forward contracts to hedge domestic stocks: |   |                                      |               |                   |
| Bought:  | 9,784   | —                                    | (112)         | (112)             |
| Yen stock index options:                           |   |                                      |               |                   |
| Bought:  |   |                                      |               |                   |
| Put  | 11,760<br>[2,671]                               | 11,613<br>[2,645]                    | 1,603         | (1,068)           |
| Foreign currency-denominated stock index options:  |   |                                      |               |                   |
| Sold:  |   |                                      |               |                   |
| Call   | 46,420<br>[1,590]                               | —                                    | 401           | 1,188             |
| Bought:  |   |                                      |               |                   |
| Call   | 45,323<br>[2,145]                               | —                                    | 801           | (1,343)           |
| Put  | 75,132<br>[13,971]                              | 71,614<br>[13,479]                   | 8,695         | (5,276)           |
| Total  | —   | —                                    | —             | (13,494)          |

Note: 1. (1) Yen stock index futures, foreign currency-denominated stock index futures, yen stock index options and foreign currency-denominated stock index options  
Fair value is based on the closing exchange-traded prices and the prices quoted from financial institutions.

(2) Equity forward contracts

Fair value is based on the market price of underlying assets, interest rates and expected dividends, etc.

(3) Others

Fair value is based on the prices quoted from financial institutions.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.

3. Fair value for forward contracts, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".



As of March 31, 2017

|  | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
|--|---|--------------------------------------|---------------|-------------------|---|--------------------------------------|---------------|-------------------|
|  | (Unit: million yen)                             |                                      |               |                   | (Unit: million US dollars)                      |                                      |               |                   |
| Exchange-traded transactions:                        |   |                                      |               |                   |   |                                      |               |                   |
| Yen stock index futures:                             |   |                                      |               |                   |   |                                      |               |                   |
| Sold   | 20,849  | —                                    | 223           | 223               | 185   | —                                    | 1             | 1                 |
| Bought   | 25,313  | —                                    | (268)         | (268)             | 225   | —                                    | (2)           | (2)               |
| Foreign currency-denominated<br>stock index futures: |   |                                      |               |                   |   |                                      |               |                   |
| Sold   | 107,669   | —                                    | 120           | 120               | 959   | —                                    | 1             | 1                 |
| Bought   | 21,439  | —                                    | 126           | 126               | 191   | —                                    | 1             | 1                 |
| Yen stock index options:                             |   |                                      |               |                   |   |                                      |               |                   |
| Bought:  |   |                                      |               |                   |   |                                      |               |                   |
| Put  | 80,000  |                                      |               |                   | 713   |                                      |               |                   |
|  | [2,362]   | —                                    | 10            | (2,352)           | [21]  | —                                    | 0             | (20)              |
| Foreign currency-denominated<br>stock index options: |   |                                      |               |                   |   |                                      |               |                   |
| Sold:  |   |                                      |               |                   |   |                                      |               |                   |
| Call   | 198,955   |                                      |               |                   | 1,773   |                                      |               |                   |
|  | [9,315]   | —                                    | 13,397        | (4,082)           | [83]  | —                                    | 119           | (36)              |
| Bought:  |   |                                      |               |                   |   |                                      |               |                   |
| Call   | 193,410   |                                      |               |                   | 1,723   |                                      |               |                   |
|  | [12,385]  | —                                    | 17,289        | 4,904             | [110]   | —                                    | 154           | 43                |
| Put  | 78,340  | 33,732                               |               |                   | 698   | 300                                  |               |                   |
|  | [4,629]   | [1,785]                              | 7,517         | 2,887             | [41]  | [15]                                 | 67            | 25                |
| Others:  |   |                                      |               |                   |   |                                      |               |                   |
| Bought:  |   |                                      |               |                   |   |                                      |               |                   |
| Call   | 24  | 18                                   |               |                   | 0   | 0                                    |               |                   |
|  | [15]  | [14]                                 | 17            | 2                 | [0]   | [0]                                  | 0             | 0                 |
| Over-the-counter transactions:                       |   |                                      |               |                   |   |                                      |               |                   |
| Yen stock index options:                             |   |                                      |               |                   |   |                                      |               |                   |
| Bought:  |   |                                      |               |                   |   |                                      |               |                   |
| Put  | 12,099  | 8,881                                |               |                   | 107   | 79                                   |               |                   |
|  | [2,743]   | [2,190]                              | 1,704         | (1,038)           | [24]  | [19]                                 | 15            | (9)               |
| Foreign currency-denominated<br>stock index options: |   |                                      |               |                   |   |                                      |               |                   |
| Sold:  |   |                                      |               |                   |   |                                      |               |                   |
| Call   | 102,772   |                                      |               |                   | 916   |                                      |               |                   |
|  | [3,993]   | —                                    | 4,920         | (926)             | [35]  | —                                    | 43            | (8)               |
| Bought:  |   |                                      |               |                   |   |                                      |               |                   |
| Call   | 101,902   | 2,072                                |               |                   | 908   | 18                                   |               |                   |
|  | [5,608]   | [96]                                 | 6,905         | 1,297             | [49]  | [0]                                  | 61            | 11                |
| Put  | 73,734  | 48,047                               |               |                   | 657   | 428                                  |               |                   |
|  | [13,623]  | [8,463]                              | 4,896         | (8,726)           | [121]   | [75]                                 | 43            | (77)              |
| Total  | —   | —                                    | —             | (7,834)           | —   | —                                    | —             | (69)              |

Note: 1. (1) Yen stock index futures, foreign currency-denominated stock index futures, yen stock index options and foreign currency-denominated stock index options  
Fair value is based on the closing exchange-traded prices and the prices quoted from financial institutions.

(2) Others

Fair value is based on the prices quoted from financial institutions.

2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.

3. Fair value for forward contracts, and differences between the option premiums paid/received and fair value of the option for option transactions, are shown in "Gains (losses)".

#### (4) Bond-related transactions

As of March 31, 2016

|   | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
|---|---------------------------------------|---------------|-------------------|
| (Unit: million yen)                           |                                       |               |                   |
| Exchange-traded transactions:                 |                                       |               |                   |
| Yen bond futures:                             |                                       |               |                   |
| Sold  | 21,057                                | 26            | 26                |
| Bought  | 52,395                                | (46)          | (46)              |
| Foreign currency-denominated bond<br>futures: |                                       |               |                   |
| Sold  | 31,459                                | 65            | 65                |
| Bought  | 287,460                               | (25)          | (25)              |
| Over-the-counter transactions:                |                                       |               |                   |
| Yen bond OTC options:                         |                                       |               |                   |
| Sold:   |                                       |               |                   |
| Call  | 40,994                                |               |                   |
|   | [191]                                 | 522           | (331)             |
| Put   | 45,379                                |               |                   |
|   | [112]                                 | 113           | (1)               |
| Bought:                                       |                                       |               |                   |
| Call  | 45,379                                |               |                   |
|   | [101]                                 | 91            | (9)               |
| Put   | 40,994                                |               |                   |
|   | [235]                                 | 109           | (126)             |
| <b>Total</b>                                  | <b>—</b>                              | <b>—</b>      | <b>(447)</b>      |

Note: 1. (1) Fair value of yen bond futures is based on the closing exchange-traded prices.  
 (2) Fair value of foreign currency-denominated bond futures is based on the closing exchange-traded prices or the price presented by counterparty financial institutions.  
 (3) Fair value of yen bond OTC options is based on the prices quoted from counterparty financial institutions.  
 2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
 3. Fair value for futures and differences between the option premiums paid/received and fair value of the option, are shown in "Gains (losses)".  
 4. There were no transactions with maturity of more than one year in the table above.

As of March 31, 2017

|   | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses)          | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
|---|---------------------------------------|---------------|----------------------------|---------------------------------------|---------------|-------------------|
| (Unit: million yen)                           |                                       |               | (Unit: million US dollars) |                                       |               |                   |
| Exchange-traded transactions:                 |                                       |               |                            |                                       |               |                   |
| Yen bond futures:                             |                                       |               |                            |                                       |               |                   |
| Sold  | 9,298                                 | (18)          | (18)                       | 82                                    | (0)           | (0)               |
| Bought  | 103,370                               | 172           | 172                        | 921                                   | 1             | 1                 |
| Foreign currency-denominated bond<br>futures: |                                       |               |                            |                                       |               |                   |
| Sold  | 260,734                               | (921)         | (921)                      | 2,324                                 | (8)           | (8)               |
| Bought  | 314,486                               | 531           | 531                        | 2,803                                 | 4             | 4                 |
| Over-the-counter transactions:                |                                       |               |                            |                                       |               |                   |
| Yen bond OTC options:                         |                                       |               |                            |                                       |               |                   |
| Sold:   |                                       |               |                            |                                       |               |                   |
| Call  | 18,784                                |               |                            | 167                                   |               |                   |
|   | [47]                                  | 90            | (42)                       | [0]                                   | 0             | (0)               |
| Put   | 99,556                                |               |                            | 887                                   |               |                   |
|   | [693]                                 | 496           | 197                        | [6]                                   | 4             | 1                 |
| Bought:                                       |                                       |               |                            |                                       |               |                   |
| Call  | 99,556                                |               |                            | 887                                   |               |                   |
|   | [453]                                 | 675           | 222                        | [4]                                   | 6             | 1                 |
| Put   | 18,784                                |               |                            | 167                                   |               |                   |
|   | [119]                                 | 160           | 41                         | [1]                                   | 1             | 0                 |
| <b>Total</b>                                  | <b>—</b>                              | <b>—</b>      | <b>182</b>                 | <b>—</b>                              | <b>—</b>      | <b>1</b>          |

Note: 1. (1) Fair value of yen bond futures is based on the closing exchange-traded prices.  
 (2) Fair value of foreign currency-denominated bond futures is based on the closing exchange-traded prices or the price presented by counterparty financial institutions.  
 (3) Fair value of yen bond OTC options is based on the price calculated by the option pricing model.  
 2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
 3. Fair value for futures and differences between the option premiums paid/received and fair value of the option, are shown in "Gains (losses)".  
 4. There were no transactions with maturity of more than one year in the table above.

## (5) Others

### a) Credit Default Swaps and Embedded Derivatives

| As of March 31, 2016           |   |                                      |               |                   |
|--------------------------------|---|--------------------------------------|---------------|-------------------|
|                                | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)            |   |                                      |               |                   |
| Over-the-counter transactions: |   |                                      |               |                   |
| Credit default swaps:          |   |                                      |               |                   |
| Sold protection                | 24,500  | 24,500                               | 529           | 529               |
| Others:                        |   |                                      |               |                   |
| Embedded derivatives           | 1,690,449                                       | 1,690,449                            | (58,945)      | (58,945)          |
| Total                          | —   | —                                    | —             | (58,416)          |

Note: 1. Embedded derivatives are guaranteed minimum portion and others of variable annuity products, which are classified as embedded derivatives by certain overseas subsidiaries under local accounting standards.  
2. Fair value listed above is based on the present value of estimated future cash flows.  
3. Fair value is shown in "Gains (losses)".

| As of March 31, 2017           |   |                                      |               |                   |   |                                      |               |                   |
|--------------------------------|---|--------------------------------------|---------------|-------------------|---|--------------------------------------|---------------|-------------------|
|                                | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)            |   |                                      |               |                   | (Unit: million US dollars)                      |                                      |               |                   |
| Over-the-counter transactions: |   |                                      |               |                   |   |                                      |               |                   |
| Credit default swaps:          |   |                                      |               |                   |   |                                      |               |                   |
| Sold protection                | 28,000  | 25,000                               | 674           | 674               | 249   | 222                                  | 6             | 6                 |
| Bought protection              | 11,385  | 11,385                               | (119)         | (119)             | 101   | 101                                  | (1)           | (1)               |
| Others:                        |   |                                      |               |                   |   |                                      |               |                   |
| Embedded derivatives           | 1,709,918                                       | 1,709,918                            | (52,131)      | (52,131)          | 15,241  | 15,241                               | (464)         | (464)             |
| Total                          | —   | —                                    | —             | (51,577)          | —   | —                                    | —             | (459)             |

Note: 1. Embedded derivatives are guaranteed minimum portion and others of variable annuity products, which are classified as embedded derivatives by certain overseas subsidiaries under local accounting standards.  
2. Fair value listed above is based on the present value of estimated future cash flows.  
3. Fair value is shown in "Gains (losses)".

b) DFLI utilizes derivative transactions within its money held in trust for trading purposes and foreign securities (investment trust). Details of the derivative transactions are as follows:

i) Currency-related transactions

| As of March 31, 2016                |                                       |               |                |
|-------------------------------------|---------------------------------------|---------------|----------------|
|                                     | Notional<br>amount/<br>contract value | Fair<br>value | Gains (losses) |
| (Unit: million yen)                 |                                       |               |                |
| Exchange-traded transactions:       |                                       |               |                |
| Currency futures:                   |                                       |               |                |
| Sold                                | 18,533                                | (495)         | (495)          |
| (Euro / U.S. dollar)                | 12,810                                | (434)         | (434)          |
| (British pound / U.S. dollar)       | 5,722                                 | (60)          | (60)           |
| Bought                              | 38,187                                | (18)          | (18)           |
| (Yen / U.S. dollar)                 | 38,187                                | (18)          | (18)           |
| Over-the-counter transactions:      |                                       |               |                |
| Foreign currency forward contracts: |                                       |               |                |
| Sold                                | 122,921                               | 1,027         | 1,027          |
| U.S. dollar                         | 81,267                                | 1,244         | 1,244          |
| Euro                                | 24,191                                | (35)          | (35)           |
| British pound                       | 7,738                                 | 158           | 158            |
| Australian dollar                   | 2,512                                 | (141)         | (141)          |
| Canadian dollar                     | 2,456                                 | (117)         | (117)          |
| Others                              | 4,754                                 | (81)          | (81)           |
| Bought                              | 1,462                                 | 2             | 2              |
| U.S. dollar                         | 1,462                                 | 2             | 2              |
| Total                               | —                                     | —             | 516            |

Note: 1. (1) Fair value of currency futures listed above is based on the closing exchange-traded prices.

(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.

2. Fair value is shown in "Gains (losses)".

3. There were no transactions with maturity of more than one year in the table above.

| As of March 31, 2017                |                                       |               |                            |                                       |               |                   |
|-------------------------------------|---------------------------------------|---------------|----------------------------|---------------------------------------|---------------|-------------------|
|                                     | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses)          | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)                 |                                       |               | (Unit: million US dollars) |                                       |               |                   |
| Exchange-traded transactions:       |                                       |               |                            |                                       |               |                   |
| Currency futures:                   |                                       |               |                            |                                       |               |                   |
| Sold                                | 19,009                                | (242)         | (242)                      | 169                                   | (2)           | (2)               |
| (Euro / U.S. dollar)                | 13,503                                | (104)         | (104)                      | 120                                   | (0)           | (0)               |
| (British pound / U.S. dollar)       | 5,505                                 | (138)         | (138)                      | 49                                    | (1)           | (1)               |
| Bought                              | 41,336                                | 876           | 876                        | 368                                   | 7             | 7                 |
| (Yen / U.S. dollar)                 | 41,336                                | 876           | 876                        | 368                                   | 7             | 7                 |
| Over-the-counter transactions:      |                                       |               |                            |                                       |               |                   |
| Foreign currency forward contracts: |                                       |               |                            |                                       |               |                   |
| Sold                                | 118,513                               | 1,371         | 1,371                      | 1,056                                 | 12            | 12                |
| U.S. dollar                         | 79,750                                | 794           | 794                        | 710                                   | 7             | 7                 |
| Euro                                | 23,097                                | 464           | 464                        | 205                                   | 4             | 4                 |
| British pound                       | 6,534                                 | 121           | 121                        | 58                                    | 1             | 1                 |
| Australian dollar                   | 2,504                                 | (40)          | (40)                       | 22                                    | (0)           | (0)               |
| Canadian dollar                     | 2,463                                 | 44            | 44                         | 21                                    | 0             | 0                 |
| Others                              | 4,163                                 | (13)          | (13)                       | 37                                    | (0)           | (0)               |
| Total                               | —                                     | —             | 2,005                      | —                                     | —             | 17                |

Note: 1. (1) Fair value of currency futures listed above is based on the closing exchange-traded prices.

(2) Forward exchange rates at the end of the year are used for fair value calculation of foreign currency forward contracts.

2. Fair value is shown in "Gains (losses)".

3. There were no transactions with maturity of more than one year in the table above.

ii) Stock-related transactions

| As of March 31, 2016                                 |                                       |               |                   |
|--|---------------------------------------|---------------|-------------------|
|  | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)                                  |                                       |               |                   |
| Exchange-traded transactions:                        |                                       |               |                   |
| Yen stock index futures:                             |                                       |               |                   |
| Sold   | 57,326                                | (292)         | (292)             |
| Foreign currency-denominated<br>stock index futures: |                                       |               |                   |
| Sold   | 59,460                                | (1,341)       | (1,341)           |
| <b>Total</b>   | <b>—</b>                              | <b>—</b>      | <b>(1,634)</b>    |

Note: 1. Fair value listed above is based on the closing exchange-traded prices.  
2. Fair value is shown in "Gains (losses)".  
3. There were no transactions with maturity of more than one year in the table above.

| As of March 31, 2017                                 |                                       |               |                            |                                       |               |                   |
|--|---------------------------------------|---------------|----------------------------|---------------------------------------|---------------|-------------------|
|  | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses)          | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)                                  |                                       |               | (Unit: million US dollars) |                                       |               |                   |
| Exchange-traded transactions:                        |                                       |               |                            |                                       |               |                   |
| Yen stock index futures:                             |                                       |               |                            |                                       |               |                   |
| Sold   | 58,946                                | 972           | 972                        | 525                                   | 8             | 8                 |
| Foreign currency-denominated<br>stock index futures: |                                       |               |                            |                                       |               |                   |
| Sold   | 59,483                                | (476)         | (476)                      | 530                                   | (4)           | (4)               |
| <b>Total</b>   | <b>—</b>                              | <b>—</b>      | <b>496</b>                 | <b>—</b>                              | <b>—</b>      | <b>4</b>          |

Note: 1. Fair value listed above is based on the closing exchange-traded prices.  
2. Fair value is shown in "Gains (losses)".  
3. There were no transactions with maturity of more than one year in the table above.

iii) Bond-related transactions

| As of March 31, 2016                          |                                       |               |                   |
|---|---------------------------------------|---------------|-------------------|
|   | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)                           |                                       |               |                   |
| Exchange-traded transactions:                 |                                       |               |                   |
| Yen bond futures:                             |                                       |               |                   |
| Sold  | 72,556                                | (67)          | (67)              |
| Foreign currency-denominated<br>bond futures: |                                       |               |                   |
| Sold  | 119,272                               | 90            | 90                |
| <b>Total</b>                                  | <b>—</b>                              | <b>—</b>      | <b>22</b>         |

Note: 1. Fair value listed above is based on the closing exchange-traded prices.  
2. Fair value is shown in "Gains (losses)".  
3. There were no transactions with maturity of more than one year in the table above.

| As of March 31, 2017                          |                                       |               |                            |                                       |               |                   |
|---|---------------------------------------|---------------|----------------------------|---------------------------------------|---------------|-------------------|
|   | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses)          | Notional<br>amount/<br>contract value | Fair<br>value | Gains<br>(losses) |
| (Unit: million yen)                           |                                       |               | (Unit: million US dollars) |                                       |               |                   |
| Exchange-traded transactions:                 |                                       |               |                            |                                       |               |                   |
| Yen bond futures:                             |                                       |               |                            |                                       |               |                   |
| Sold  | 82,659                                | 5             | 5                          | 736                                   | 0             | 0                 |
| Foreign currency-denominated<br>bond futures: |                                       |               |                            |                                       |               |                   |
| Sold  | 132,238                               | (253)         | (253)                      | 1,178                                 | (2)           | (2)               |
| <b>Total</b>                                  | <b>—</b>                              | <b>—</b>      | <b>(247)</b>               | <b>—</b>                              | <b>—</b>      | <b>(2)</b>        |

Note: 1. Fair value listed above is based on the closing exchange-traded prices.  
2. Fair value is shown in "Gains (losses)".  
3. There were no transactions with maturity of more than one year in the table above.

## 2. Derivative Transactions (Hedge Accounting Applied)

### (1) Currency-related transactions

| As of March 31, 2016  |   |                                      |                     |
|---|---|--------------------------------------|---------------------|
|   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value       |
| (Unit: million yen)   |   |                                      |                     |
| Deferral hedge:   |   |                                      |                     |
| Currency swaps to hedge foreign currency-denominated bonds:   |   |                                      |                     |
| Receipts yen, payments  |   |                                      |                     |
| foreign currency  | 205,817   | 205,817                              | (887)               |
| U.S. dollar   | 155,920   | 155,920                              | (2,941)             |
| Euro  | 49,897  | 49,897                               | 2,053               |
| Fair value hedge:   |   |                                      |                     |
| Foreign currency forward contracts to hedge foreign currency-denominated bonds:                         |   |                                      |                     |
| Sold  | 3,609,448                                       | —                                    | 108,567             |
| U.S. dollar   | 1,794,006                                       | —                                    | 54,939              |
| Euro  | 961,588   | —                                    | 43,872              |
| Australian dollar   | 301,556   | —                                    | (10,043)            |
| British pound   | 158,245   | —                                    | 8,654               |
| Canadian dollar   | 18,773  | —                                    | (1,015)             |
| Others  | 375,277   | —                                    | 12,160              |
| Bought  | 2,895   | —                                    | (108)               |
| U.S. dollar   | 2,203   | —                                    | (114)               |
| Euro  | 248   | —                                    | (4)                 |
| British pound   | 159   | —                                    | (17)                |
| Australian dollar   | 2   | —                                    | 0                   |
| Others  | 281   | —                                    | 27                  |
| Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items: |   |                                      |                     |
| Foreign currency forward contracts to hedge foreign currency-denominated term deposits:                 |   |                                      |                     |
| Sold  | 473,975   | —                                    | ( <sup>(*)1</sup> ) |
| Australian dollar   | 179,108   | —                                    | ( <sup>(*)1</sup> ) |
| U.S. dollar   | 124,888   | —                                    | ( <sup>(*)1</sup> ) |
| Others  | 169,978   | —                                    | ( <sup>(*)1</sup> ) |
| Currency swaps to hedge foreign currency-denominated bonds payable and loans:                           |   |                                      |                     |
| Receipts foreign currency, payments yen   | 215,727   | 215,727                              | ( <sup>(*)2</sup> ) |
| Foreign currency-denominated bonds payable:   |   |                                      |                     |
| U.S. dollar   | 215,727   | 215,727                              | ( <sup>(*)2</sup> ) |
| Receipts yen, payments foreign currency   | 33,402  | 33,402                               | ( <sup>(*)2</sup> ) |
| Foreign currency-denominated loans:   |   |                                      |                     |
| U.S. dollar   | 33,402  | 33,402                               | ( <sup>(*)2</sup> ) |

Note: 1. Currency swaps:

Fair value of currency swaps is calculated by discounting expected cash flows.

2. Foreign currency forward contracts:

Forward exchange rates at the end of the fiscal year are used for fair value calculation.

(<sup>(\*)1</sup>) As foreign currency forward contracts which apply the currency allotment method are accounted for as combined with foreign currency-denominated term deposits as hedged items, their fair value is included in the fair value of such foreign currency-denominated term deposits.

(<sup>(\*)2</sup>) As foreign currency swaps which apply the currency allotment method are accounted for as combined with foreign currency-denominated bonds payable and loans as hedged items, their fair value is included in the fair value of such foreign currency-denominated bonds payable and loans.

As of March 31, 2017

|   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value |
|---|---|--------------------------------------|---------------|---|--------------------------------------|---------------|
|   | (Unit: million yen)                             |                                      |               | (Unit: million US dollars)                      |                                      |               |
| Deferral hedge:   |   |                                      |               |   |                                      |               |
| Currency swaps to hedge foreign currency-denominated bonds:   |   |                                      |               |   |                                      |               |
| Receipts yen, payments foreign<br>currency  | 266,142   | 252,943                              | 3,541         | 2,372   | 2,254                                | 31            |
| U.S. dollar   | 204,574   | 191,375                              | (953)         | 1,823   | 1,705                                | (8)           |
| Euro  | 61,568  | 61,568                               | 4,494         | 548   | 548                                  | 40            |
| Currency swaps to hedge foreign currency risks associated with funding agreement:                       |   |                                      |               |   |                                      |               |
| Receipts foreign currency, payments<br>foreign currency   | 13,650  | 13,650                               | 15            | 121   | 121                                  | 0             |
| Norway krone/U.S. dollar  | 13,650  | 13,650                               | 15            | 121   | 121                                  | 0             |
| Fair value hedge:   |   |                                      |               |   |                                      |               |
| Foreign currency forward contracts to hedge foreign currency-denominated bonds:                         |   |                                      |               |   |                                      |               |
| Sold  | 5,215,748                                       | —                                    | (140,242)     | 46,490  | —                                    | (1,250)       |
| U.S. dollar   | 2,948,262                                       | —                                    | (81,896)      | 26,279  | —                                    | (729)         |
| Euro  | 1,090,351                                       | —                                    | (8,294)       | 9,718   | —                                    | (73)          |
| Australian dollar   | 415,851   | —                                    | (22,627)      | 3,706   | —                                    | (201)         |
| Canadian dollar   | 138,358   | —                                    | (8,876)       | 1,233   | —                                    | (79)          |
| British pound   | 125,768   | —                                    | (1,271)       | 1,121   | —                                    | (11)          |
| Others  | 497,156   | —                                    | (17,274)      | 4,431   | —                                    | (153)         |
| Bought  | 27,390  | —                                    | (42)          | 244   | —                                    | (0)           |
| U.S. dollar   | 18,150  | —                                    | (157)         | 161   | —                                    | (1)           |
| Euro  | 3,000   | —                                    | (43)          | 26  | —                                    | (0)           |
| British pound   | 60  | —                                    | (1)           | 0   | —                                    | (0)           |
| Australian dollar   | 0   | —                                    | 0             | 0   | —                                    | 0             |
| Others  | 6,178   | —                                    | 159           | 55  | —                                    | 1             |
| Foreign currency forward contracts, etc., allocated to and/or combined with corresponding hedged items: |   |                                      |               |   |                                      |               |
| Foreign currency forward contracts to hedge foreign currency-denominated term deposits:                 |   |                                      |               |   |                                      |               |
| Sold  | 314,849   | —                                    | (*1)          | 2,806   | —                                    | (*1)          |
| Australian dollar   | 122,516   | —                                    | (*1)          | 1,092   | —                                    | (*1)          |
| U.S. dollar   | 81,866  | —                                    | (*1)          | 729   | —                                    | (*1)          |
| Others  | 110,465   | —                                    | (*1)          | 984   | —                                    | (*1)          |
| Currency swaps to hedge foreign currency-denominated bonds payable and loans:                           |   |                                      |               |   |                                      |               |
| Receipts foreign currency,<br>payments yen  | 476,277   | 476,277                              | (*2)          | 4,245   | 4,245                                | (*2)          |
| Foreign currency-denominated<br>bonds payable:  |   |                                      |               |   |                                      |               |
| U.S. dollar   | 476,277   | 476,277                              | (*2)          | 4,245   | 4,245                                | (*2)          |
| Receipts yen, payments foreign<br>currency  | 38,521  | 38,521                               | (*2)          | 343   | 343                                  | (*2)          |
| Foreign currency-denominated<br>loans:  |   |                                      |               |   |                                      |               |
| U.S. dollar   | 32,557  | 32,557                               | (*2)          | 290   | 290                                  | (*2)          |
| Euro  | 5,964   | 5,964                                | (*2)          | 53  | 53                                   | (*2)          |

Note: 1. Currency swaps:

Fair value of currency swaps is calculated by discounting expected cash flows or the price presented by counterparty financial institutions.

2. Foreign currency forward contracts:

Forward exchange rates at the end of the fiscal year are used for fair value calculation.

(\*)1 As foreign currency forward contracts which apply the currency allotment method are accounted for as combined with foreign currency-denominated term deposits as hedged items, their fair value is included in the fair value of such foreign currency-denominated term deposits.

(\*)2 As foreign currency swaps which apply the currency allotment method are accounted for as combined with foreign currency-denominated bonds payable and loans as hedged items, their fair value is included in the fair value of such foreign currency-denominated bonds payable and loans.

## (2) Interest-related transactions

| As of March 31, 2016                            |   |                                      |               |
|---|---|--------------------------------------|---------------|
|   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value |
| (Unit: million yen)                             |   |                                      |               |
| Special hedge accounting:                       |   |                                      |               |
| Yen interest rate swaps to hedge loans:         |   |                                      |               |
| Receipts fixed, payments floating               | 15,800  | 11,800                               | 482           |
| Yen interest rate swaps to hedge loans payable: |   |                                      |               |
| Receipts floating, payments fixed               | 283,000   | 283,000                              | (4,022)       |

Note: Fair value listed above is present values of expected cash flows, discounted by the interest rates at the end of the fiscal year.

| As of March 31, 2017  |   |                                      |               |   |                                      |               |
|---|---|--------------------------------------|---------------|---|--------------------------------------|---------------|
|   | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value | (A)<br>Notional<br>amount/<br>contract<br>value | Over<br>1 year<br>included<br>in (A) | Fair<br>value |
|   | (Unit: million yen)                             |                                      |               | (Unit: million US dollars)                      |                                      |               |
| Deferral hedge:   |   |                                      |               |   |                                      |               |
| Yen interest rate swaps to hedge loans and insurance liabilities: |   |                                      |               |   |                                      |               |
| Receipts fixed, payments floating                                 | 603,000   | 603,000                              | (20,559)      | 5,374   | 5,374                                | (183)         |
| Special hedge accounting:   |   |                                      |               |   |                                      |               |
| Yen interest rate swaps to hedge loans:                           |   |                                      |               |   |                                      |               |
| Receipts fixed, payments floating                                 | 19,800  | 16,800                               | 189           | 176   | 149                                  | 1             |
| Yen interest rate swaps to hedge loans payable:                   |   |                                      |               |   |                                      |               |
| Receipts floating, payments fixed                                 | 283,000   | 283,000                              | (3,161)       | 2,522   | 2,522                                | (28)          |

Note: Fair value listed above is present values of expected cash flows, discounted by the interest rates at the end of the fiscal year.

## (3) Stock-related transactions

| As of March 31, 2016                               |                                       |            |
|--|---------------------------------------|------------|
|  | Notional<br>amount/<br>contract value | Fair value |
| (Unit: million yen)                                |                                       |            |
| Fair value hedge:                                  |                                       |            |
| Equity forward contracts to hedge domestic stocks: |                                       |            |
| Sold   | 10,288                                | 194        |

Note: 1. Fair value listed above is based on the market price of underlying assets, interest rates and expected dividends, etc.  
2. There were no transactions with maturity of more than one year in the table above.

| As of March 31, 2017                               |                                       |            |                                       |            |
|--|---------------------------------------|------------|---------------------------------------|------------|
|  | Notional<br>amount/<br>contract value | Fair value | Notional<br>amount/<br>contract value | Fair value |
| (Unit: million yen)                                |                                       |            | (Unit: million US dollars)            |            |
| Fair value hedge:                                  |                                       |            |                                       |            |
| Equity forward contracts to hedge domestic stocks: |                                       |            |                                       |            |
| Sold   | 26,264                                | 1,246      | 234                                   | 11         |

Note: 1. Fair value listed above is based on the market price of underlying assets, interest rates and expected dividends, etc.  
2. There were no transactions with maturity of more than one year in the table above.



#### (4) Bond-related transactions

| As of March 31, 2016                                    |                                       |            |
|---|---------------------------------------|------------|
|   | Notional<br>amount/<br>contract value | Fair value |
| (Unit: million yen)                                     |                                       |            |
| Deferral hedge:   |                                       |            |
| Foreign currency-denominated bonds OTC options to hedge |                                       |            |
| foreign currency-denominated bonds:                     |                                       |            |
| Sold:   |                                       |            |
| Call  | 114,736                               |            |
|   | [2,265]                               | 3,837      |
| Bought:   |                                       |            |
| Put   | 114,736                               |            |
|   | [2,265]                               | 561        |

Note: 1. Fair value listed above is the prices calculated by the option pricing model or the prices quoted from financial institutions.  
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
3. There were no transactions with maturity of more than one year in the table above.

| As of March 31, 2017                                    |                                       |            |                                       |            |
|---|---------------------------------------|------------|---------------------------------------|------------|
|   | Notional<br>amount/<br>contract value | Fair value | Notional<br>amount/<br>contract value | Fair value |
| (Unit: million yen)                                     |                                       |            | (Unit: million US dollars)            |            |
| Deferral hedge:   |                                       |            |                                       |            |
| Foreign currency-denominated bonds OTC options to hedge |                                       |            |                                       |            |
| foreign currency-denominated bonds:                     |                                       |            |                                       |            |
| Sold:   |                                       |            |                                       |            |
| Call  | 62,192                                |            | 554                                   |            |
|   | [902]                                 | 1,030      | [8]                                   | 9          |
| Bought:   |                                       |            |                                       |            |
| Put   | 62,192                                |            | 554                                   |            |
|   | [902]                                 | 313        | [8]                                   | 2          |

Note: 1. Fair value listed above is the prices calculated by the option pricing model or the prices quoted from financial institutions.  
2. Figures in [ ] are amounts of option premiums which are included in the consolidated balance sheet.  
3. There were no transactions with maturity of more than one year in the table above.

### XIII. EMPLOYEES' RETIREMENT BENEFITS

#### 1. Overview of Employees' Retirement Benefit Plan of the Group

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

For its administrative personnel, DL 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.

Certain consolidated overseas subsidiaries have maintained their defined benefit plan and defined contribution plan.

#### 2. Defined benefit plans

##### (1) Reconciliations of beginning and ending balances of projected benefit obligations

|  | Year ended March 31, |          |                            |
|--|----------------------|----------|----------------------------|
|  | 2016                 | 2017     | 2017                       |
|  | (Unit: million yen)  |          | (Unit: million US dollars) |
| Beginning balance of the projected benefit obligations | 650,196              | 738,116  | 6,579                      |
| Service cost   | 25,554               | 30,920   | 275                        |
| Interest cost  | 11,612               | 3,397    | 30                         |
| Accruals of actuarial (gains) and losses               | 86,221               | 3,413    | 30                         |
| Payment of retirement benefits                         | (34,970)             | (37,925) | (338)                      |
| Decreases due to exclusion from consolidation          | —                    | (4,750)  | (42)                       |
| Others   | (496)                | (2,790)  | (24)                       |
| Ending balance of the projected benefit obligation     | 738,116              | 730,381  | 6,510                      |

Note: Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost".

**(2) Reconciliations of beginning and ending balances of pension assets**

|   | Year ended March 31, |          |                            |
|---|----------------------|----------|----------------------------|
|   | 2016                 | 2017     | 2017                       |
|   | (Unit: million yen)  |          | (Unit: million US dollars) |
| Beginning balance of pension assets           | 319,579              | 295,038  | 2,629                      |
| Estimated return on assets                    | 3,797                | 1,995    | 17                         |
| Accruals of actuarial (gains) and losses      | (26,447)             | 17,922   | 159                        |
| Contributions from the employer               | 7,675                | 11,386   | 101                        |
| Payment of retirement benefits                | (10,042)             | (13,674) | (121)                      |
| Decreases due to exclusion from consolidation | —                    | (3,039)  | (27)                       |
| Others  | 476                  | (807)    | (7)                        |
| Ending balance of pension assets              | 295,038              | 308,821  | 2,752                      |

**(3) 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 consolidated balance sheet**

|  | Year ended March 31, |           |                            |
|--|----------------------|-----------|----------------------------|
|  | 2016                 | 2017      | 2017                       |
|  | (Unit: million yen)  |           | (Unit: million US dollars) |
| Projected benefit obligation for funded pensions                         | 422,745              | 414,199   | 3,691                      |
| Pension assets   | (295,038)            | (308,821) | (2,752)                    |
|  | 127,706              | 105,377   | 939                        |
| Projected benefit obligation for unfunded pensions                       | 315,371              | 316,182   | 2,818                      |
| Net of assets and liabilities recorded in the consolidated balance sheet | 443,077              | 421,560   | 3,757                      |
| Net defined benefit liabilities  | 443,842              | 421,560   | 3,757                      |
| Net defined benefit assets   | (764)                | —         | —                          |
| Net of assets and liabilities recorded in the consolidated balance sheet | 443,077              | 421,560   | 3,757                      |

**(4) Amount of the components of retirement benefit expenses**

|   | Year ended March 31, |         |                            |
|---|----------------------|---------|----------------------------|
|   | 2016                 | 2017    | 2017                       |
|   | (Unit: million yen)  |         | (Unit: million US dollars) |
| Service cost  | 25,554               | 30,920  | 275                        |
| Interest cost   | 11,612               | 3,397   | 30                         |
| Expected return on assets                             | (3,797)              | (1,995) | (17)                       |
| Expense of actuarial (gains) and losses               | (10,118)             | 4,525   | 40                         |
| Others  | 418                  | 435     | 3                          |
| Retirement benefit expenses for defined benefit plans | 23,670               | 37,283  | 332                        |

Note: Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost".

**(5) Remeasurements of defined benefit plans**

Breakdown of items recorded in remeasurements of defined benefit plans (before applicable tax effect) is as follows:

|                          | Year ended March 31, |        |                            |
|--------------------------|----------------------|--------|----------------------------|
|                          | 2016                 | 2017   | 2017                       |
|                          | (Unit: million yen)  |        | (Unit: million US dollars) |
| Actuarial gains (losses) | (122,463)            | 19,148 | 170                        |
| Total                    | (122,463)            | 19,148 | 170                        |

**(6) Accumulated remeasurements of defined benefit plans**

Breakdown of items recorded in accumulated remeasurements of defined benefit plans (before applicable tax effect) is as follows:

|                                       | Year ended March 31, |        |                            |
|---------------------------------------|----------------------|--------|----------------------------|
|                                       | 2016                 | 2017   | 2017                       |
|                                       | (Unit: million yen)  |        | (Unit: million US dollars) |
| Unrecognized actuarial gains (losses) | 46,579               | 27,444 | 244                        |
| Total                                 | 46,579               | 27,444 | 244                        |

**(7) Pension assets**

a) The main components of the pension assets

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

|                                | Year ended March 31, |      |
|--------------------------------|----------------------|------|
|                                | 2016                 | 2017 |
| Stocks                         | 55%                  | 58%  |
| Bonds                          | 14%                  | 11%  |
| Asset under joint management   | 14%                  | 11%  |
| Life insurance general account | 9%                   | 8%   |
| Others                         | 8%                   | 12%  |
| Total                          | 100%                 | 100% |

Note: The proportion of retirement benefit trust to total pension assets that has been set for the unfunded retirement benefit plans as of March 31, 2016 and 2017 were 49% and 51%, respectively.

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

To determine the expected long-term rate of return on pension assets, the consolidated subsidiaries have 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.

**(8) Calculation basis of actuarial gains and losses**

Major assumptions of basis of actuarial calculation as of the fiscal year-end are as follows:

|                                   | Year ended March 31, |               |
|-----------------------------------|----------------------|---------------|
|                                   | 2016                 | 2017          |
| Discount rate                     | 0.30 to 4.29%        | 0.30 to 4.04% |
| Expected long-term rate of return |                      |               |
| Defined benefit corporate pension | 1.00 to 7.25%        | 0.30 to 7.25% |
| Employee pension trust            | 0.00%                | 0.00%         |

**3. Defined contribution plans**

Required amount of contribution to defined contribution plans of consolidated subsidiaries for the fiscal years ended March 31, 2016 and 2017 is ¥2,360 million and ¥2,447 million (US\$ 21 million), respectively.

## XIV. STOCK OPTIONS

### 1. The account used to record expenses associated with issuing stock options and the amount expensed

Operating expenses for the fiscal year ended March 31, 2016: ¥256 million

Operating expenses for the fiscal year ended March 31, 2017: ¥362 million (US\$3 million)

### 2. Details of the stock options granted for the fiscal year ended March 31, 2017

#### (1) Details of the stock options

|                             | The Dai-ichi Life Insurance Company, Limited<br>1st Series of<br>Stock Acquisition Rights | The Dai-ichi Life Insurance Company, Limited<br>2nd Series of<br>Stock Acquisition Rights | The Dai-ichi Life Insurance Company, Limited<br>3rd Series of<br>Stock Acquisition Rights |
|-----------------------------|---|---|---|
| Granted persons             | 10 directors (except outside directors) and 16 executive officers of DL                   | 11 directors (except outside directors) and 16 executive officers of DL                   | 11 directors (except outside directors) and 17 executive officers of DL                   |
| Class and total number (*1) | 169,800 shares of common stock  | 318,700 shares of common stock  | 183,700 shares of common stock  |
| Grant date                  | August 16, 2011   | August 16, 2012   | August 16, 2013   |
| Vesting conditions          | The acquisition rights are vested on the above grant date.                                | The acquisition rights are vested on the above grant date.                                | The acquisition rights are vested on the above grant date.                                |
| Service period covered      | N/A   | N/A   | N/A   |
| Exercise period (*2)        | From August 17, 2011 to August 16, 2041   | From August 17, 2012 to August 16, 2042   | From August 17, 2013 to August 16, 2043   |

|                             | The Dai-ichi Life Insurance Company, Limited<br>4th Series of<br>Stock Acquisition Rights | The Dai-ichi Life Insurance Company, Limited<br>5th Series of<br>Stock Acquisition Rights | Dai-ichi Life Holdings, Inc.<br>1st Series of<br>Stock Acquisition Rights   |
|-----------------------------|---|---|---|
| Granted persons             | 11 directors (except outside directors) and 17 executive officers of DL                   | 11 directors (except outside directors) and 18 executive officers of DL                   | 10 directors (except directors serving as Audit & Supervisory Committee members) and 15 executive officers of the Company, and 38 directors, etc. of the Company's subsidiaries |
| Class and total number (*1) | 179,000 shares of common stock  | 110,600 shares of common stock  | 269,600 shares of common stock  |
| Grant date                  | August 18, 2014   | August 17, 2015   | October 18, 2016  |
| Vesting conditions          | The acquisition rights are vested on the above grant date.                                | The acquisition rights are vested on the above grant date.                                | The acquisition rights are vested on the above grant date.  |
| Service period covered      | N/A   | N/A   | N/A   |
| Exercise period (*2)        | From August 19, 2014 to August 18, 2044   | From August 18, 2015 to August 17, 2045   | From October 19, 2016 to October 18, 2046   |

(\*1) It has been described in terms of the number of shares. The Company conducted a 1:100 share split on October 1, 2013. It is translated into the number of shares that takes into account the share split.

(\*2) A granted person can exercise stock acquisition rights only within 10 days from the day on which she/he loses status as any of a director (except director serving as Audit & Supervisory Committee member) or an executive officer of the Company, DL, DFLI and Neo First Life. For stock options granted before the shift to a holding company structure, the terms and conditions for the exercise period have been changed due to the shift to a holding company structure effective on October 1, 2016.

## (2) Figures relating to the stock options

The following table covers stock options which existed during the fiscal year ended March 31, 2017 and the total number of stock options is translated to the number of shares of common stock.

### a) Number of the stock options (shares)

|   | The Dai-ichi Life Insurance Company, Limited |  |  |
|---|--|--|--|
|   | 1st Series of Stock Acquisition Rights       | 2nd Series of Stock Acquisition Rights | 3rd Series of Stock Acquisition Rights |
| Before vesting                              |  |  |  |
| Outstanding at the end of prior fiscal year | —  | —                                      | —                                      |
| Granted                                     | —  | —                                      | —                                      |
| Forfeited                                   | —  | —                                      | —                                      |
| Vested                                      | —  | —                                      | —                                      |
| Outstanding at the end of the fiscal year   | —  | —                                      | —                                      |
| After vesting                               |  |  |  |
| Outstanding at the end of prior fiscal year | 98,700                                       | 219,400                                | 146,900                                |
| Vested                                      | —  | —                                      | —                                      |
| Exercised                                   | 5,900  | 10,800                                 | 6,300                                  |
| Forfeited                                   | —  | —                                      | —                                      |
| Outstanding at the end of the fiscal year   | 92,800                                       | 208,600                                | 140,600                                |

|   | The Dai-ichi Life Insurance Company, Limited |  | Dai-ichi Life Holdings, Inc.           |
|---|--|--|--|
|   | 4th Series of Stock Acquisition Rights       | 5th Series of Stock Acquisition Rights | 1st Series of Stock Acquisition Rights |
| Before vesting                              |  |  |  |
| Outstanding at the end of prior fiscal year | —  | —                                      | —                                      |
| Granted                                     | —  | —                                      | 269,600                                |
| Forfeited                                   | —  | —                                      | —                                      |
| Vested                                      | —  | —                                      | 269,600                                |
| Outstanding at the end of the fiscal year   | —  | —                                      | —                                      |
| After vesting                               |  |  |  |
| Outstanding at the end of prior fiscal year | 163,200                                      | 110,600                                | —                                      |
| Vested                                      | —  | —                                      | 269,600                                |
| Exercised                                   | 7,300  | 4,100                                  | —                                      |
| Forfeited                                   | —  | —                                      | —                                      |
| Outstanding at the end of the fiscal year   | 155,900                                      | 106,500                                | 269,600                                |

Note: It has been described in terms of the number of shares. The Company conducted a 1:100 share split on October 1, 2013. It is translated into the number of shares that takes into account the share split.

b) Price information

|   | The Dai-ichi Life Insurance Company, Limited |  |  |
|---|--|--|--|
|   | 1st Series of Stock Acquisition Rights       | 2nd Series of Stock Acquisition Rights | 3rd Series of Stock Acquisition Rights |
| Exercise price                              | ¥1 per stock option                          | ¥1 per stock option                    | ¥1 per stock option                    |
| Average stock price at the time of exercise | ¥1,303 (US\$11)                              | ¥1,303 (US\$11)                        | ¥1,303 (US\$11)                        |
| Fair value at the grant date                | ¥885 (US\$7)                                 | ¥766 (US\$6)                           | ¥1,300 (US\$11)                        |

|   | The Dai-ichi Life Insurance Company, Limited |  | Dai-ichi Life Holdings, Inc.           |
|---|--|--|--|
|   | 4th Series of Stock Acquisition Rights       | 5th Series of Stock Acquisition Rights | 1st Series of Stock Acquisition Rights |
| Exercise price                              | ¥1 per stock option                          | ¥1 per stock option                    | ¥1 per stock option                    |
| Average stock price at the time of exercise | ¥1,303 (US\$11)                              | ¥1,303 (US\$11)                        | ¥- (US\$-)                             |
| Fair value at the grant date                | ¥1,366 (US\$12)                              | ¥2,318 (US\$20)                        | ¥1,344 (US\$11)                        |

Note: It has been described in terms of the number of shares. The Company conducted a 1:100 share split on October 1, 2013. It is translated into the number of shares that takes into account the share split.

### 3. Valuation method used for estimating fair value of stock options

Stock options granted for the fiscal year ended March 31, 2017 were valued as follows:

#### (1) Valuation method

Black-Scholes Model

#### (2) Assumptions

Stock options granted for the fiscal year ended March 31, 2017

|                              | Dai-ichi Life Holdings, Inc.           |
|------------------------------|--|
|                              | 1st Series of Stock Acquisition Rights |
| Expected volatility (*1)     | 38.522%                                |
| Expected durations (*2)      | 3 years                                |
| Expected dividends (*3)      | ¥40 (US\$0.35)                         |
| Risk-free interest rate (*4) | (0.254%)                               |

(\*1) Computed based on the closing prices of common stock in each trading day from October 18, 2013 to October 17, 2016.

(\*2) Computed based on the average service period from the grant date to expected exercise date.

(\*3) Computed based on the expected dividend for the fiscal year ended March 31, 2017.

(\*4) Based on yields of Japanese government bonds for a term corresponding to the expected durations.

### 4. Method to estimate the number of stock options vested

Only the actual number of forfeited stock options is considered, because it is difficult to rationally estimate the number of stock options to be forfeited in the future.

## XV. DEFERRED TAX ACCOUNTING

### 1. Major components of deferred tax assets and liabilities

|   | As of March 31,     |             |                            |
|---|---------------------|-------------|----------------------------|
|   | 2016                | 2017        | 2017                       |
|   | (Unit: million yen) |             | (Unit: million US dollars) |
| Deferred tax assets:                                  |                     |             |                            |
| Policy reserves and others                            | 468,506             | 483,812     | 4,312                      |
| Net defined benefits liabilities                      | 165,437             | 158,240     | 1,410                      |
| Tax losses carried forward                            | 16,012              | 58,388      | 520                        |
| Reserve for price fluctuations                        | 43,386              | 48,798      | 434                        |
| Net unrealized losses on securities, net of tax       | 80,994              | 41,173      | 366                        |
| Others  | 132,625             | 87,497      | 779                        |
| Subtotal  | 906,963             | 877,909     | 7,825                      |
| Valuation allowances                                  | (73,109)            | (54,668)    | (487)                      |
| Total   | 833,854             | 823,241     | 7,337                      |
| Deferred tax liabilities:                             |                     |             |                            |
| Net unrealized gains on securities, net of tax        | (761,560)           | (758,063)   | (6,756)                    |
| Evaluation difference related to business combination | (182,284)           | (152,819)   | (1,362)                    |
| Others  | (159,415)           | (236,704)   | (2,109)                    |
| Total   | (1,103,259)         | (1,147,586) | (10,228)                   |
| Net deferred tax assets (liabilities)                 | (269,405)           | (324,345)   | (2,891)                    |

### 2. The principal reasons for the difference between the statutory effective tax rate and actual effective tax rate after considering deferred taxes

|  | As of March 31, |         |
|--|-----------------|---------|
|  | 2016            | 2017    |
| Statutory effective tax rate   | 28.76%          | 30.78%  |
| (Adjustments)  |                 |         |
| Difference in statutory effective tax rate due to a shift to a holding company structure | —               | (2.62%) |
| Decrease in valuation allowance  | (0.68%)         | (2.47%) |
| Others   | 4.73%           | (0.21%) |
| Actual effective tax rate after considering deferred taxes                               | 32.81%          | 25.48%  |



## XVI. ASSET RETIREMENT OBLIGATIONS

### 1. Overview of Asset Retirement Obligations

The note is omitted because the balance of the asset retirement obligations as of the beginning and that as of the end of the current fiscal year were 1% or less than the total balance of the liabilities and the net assets as of the beginning and that as of the end of the current fiscal year, respectively.

## XVII. BUSINESS COMBINATIONS

### 1. Transaction under Common Control

#### (1) Overview of the transaction

- a) Name and description of the businesses subject to the transaction  
Domestic life insurance business
- b) Date of business combination  
October 1, 2016
- c) Legal form of business combination  
Absorption-type corporate split with the Company and The Dai-ichi Life Insurance Company, Limited (trading name changed from The Dai-ichi Life Split Preparation Company, Limited on October 1, 2016) as the successor company
- d) Name of the company after the combination  
The Dai-ichi Life Insurance Company, Limited (a consolidated subsidiary of the Company)
- e) Other matters regarding the overview of the transaction  
The Company has so far made progress in diversifying its business inside and outside of Japan. It developed growth strategies aimed to expand share in the domestic life insurance market while at the same time accelerated the expansion of the overseas life insurance business in order to expand profit contribution from outside Japan as well. By recognizing the challenges under such environment, the shift was made to a holding company structure on October 1, 2016. The Dai-ichi Life group will step up its efforts for sustainable growth through "flexible allocation of business resources within the group," "create a governance structure that contributes to swift business decision-making at subsidiaries," and "implement fundamental reforms to group management."

#### (2) Overview of the accounting treatment

The business combination was treated as a transaction under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10).

## XVIII. REAL ESTATE FOR RENT

Certain domestic consolidated subsidiary 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, 2016 and 2017 were ¥29,557 million and ¥31,572 million (US\$281 million), respectively. The rental income was included in investment income and the rental expense was included in investment expenses. Impairment loss on rental real estate as extraordinary losses for the fiscal year ended March 31, 2016 and 2017 were ¥3,419 million and ¥5,167 million (US\$46 million). Losses on sale on rental real estate as extraordinary losses was ¥8,593 million (US\$76 million) for the fiscal year ended March 31, 2017.

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

|                        | Year ended March 31, |          |                            |
|------------------------|----------------------|----------|----------------------------|
|                        | 2016                 | 2017     | 2017                       |
|                        | (Unit: million yen)  |          | (Unit: million US dollars) |
| Carrying amount:       |                      |          |                            |
| Beginning balance      | 803,708              | 807,289  | 7,195                      |
| Net change during year | 3,580                | (12,124) | (108)                      |
| Ending balance         | 807,289              | 795,164  | 7,087                      |
| Market value           | 864,061              | 892,854  | 7,958                      |

Note: 1. The carrying amount of rental real estate on the consolidated balance sheet was acquisition costs net of accumulated depreciation and impairments.

2. Net change in carrying amount includes cost of acquisition of the real estate of ¥16,526 million, depreciation expense of ¥14,153 million, impairment loss of ¥3,419 million, sale of the real estate of ¥2,325 million, during the fiscal year ended March 31, 2016. Net change in carrying amount includes cost of acquisition of the real estate of ¥33,544 million (US\$298 million), sale of the real estate of ¥35,424 million (US\$315 million), depreciation expense of ¥13,758 million (US\$122 million), impairment loss of ¥5,167 million (US\$46 million) during the fiscal year ended March 31, 2017.

3. Certain domestic consolidated subsidiaries calculate the fair value of the majority of the rental real estate based on real estate appraisal standards by an independent appraiser, and others based on the internal but reasonable estimates.

## XIX. SEGMENT INFORMATION AND OTHERS

### 1. Segment Information

#### (1) Overview of reportable segments

The reportable segments of the Company are components of the Company about which separate financial information is available. The segments are subject to periodic review to enable the Company's Board of Directors to decide on allocation of business resources and evaluate business performance.

The Company is a holding company which manages life insurance companies in Japan and elsewhere as well as other subsidiaries and affiliated companies. These companies are subject to regulations of the Insurance Business Act. The Company's operations are therefore segmented based on the operations of its subsidiaries and affiliated companies and the Company's three reportable segments are the Domestic Life Insurance Business, the Overseas Insurance Business, and Other Business.

The Domestic Life Insurance Business consists of subsidiaries that engage in the life insurance business in Japan. The Overseas Insurance Business consists of subsidiaries and affiliated companies that engage in the insurance business overseas. Subsidiaries and affiliated companies that do not operate either the Domestic Life Insurance Business or the Overseas Insurance Business are segmented as Other Business and mainly consist of the asset management related business.

#### (Change in reportable segments)

There was only one reportable segment of the Company until the end of the interim consolidated accounting period. However, with the transition to a holding company structure on October 1, 2016, the Company is dedicated to the business management of its subsidiaries and affiliated companies. The Company's operations are therefore segmented based on the operations of its subsidiaries and affiliated companies and the Company newly set three reportable segments which are the Domestic Life Insurance Business, the Overseas Insurance Business, and Other Business.

Segment information for the previous consolidated fiscal year is prepared based on the classification following the change and is shown in "Information on ordinary revenues, income or loss, assets and liabilities, and others by reportable segment." Segment information for the current fiscal year is prepared under the basis that the change in reportable segments was applied at the beginning of the fiscal year.

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

The method of accounting for the reportable segments is the same as that described in "Principles of Consolidation". Figures for reportable segment profit are based on ordinary profit.

Intersegment revenue is based on market prices.

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

For the fiscal year ended March 31, 2016:

|   | Reportable Segment               |                             |                |            | Adjustments<br>(Note 2) | Amount on consolidated financial statements<br>(Note 3) |
|---|----------------------------------|-----------------------------|----------------|------------|-------------------------|---|
|   | Domestic Life Insurance Business | Overseas Insurance Business | Other Business | Total      |                         |   |
| (Unit: million yen)   |                                  |                             |                |            |                         |   |
| Ordinary revenues (Note 1)                                    | 6,220,481                        | 1,118,925                   | 10,692         | 7,350,099  | (16,152)                | 7,333,947   |
| Intersegment transfers  | 16,299                           | 2,906                       | 21,719         | 40,925     | (40,925)                | –   |
| Total   | 6,236,780                        | 1,121,832                   | 32,411         | 7,391,025  | (57,077)                | 7,333,947   |
| Segment income (loss)   | 366,736                          | 60,364                      | 4,962          | 432,063    | (13,896)                | 418,166   |
| Segment assets  | 42,108,210                       | 8,789,854                   | 40,650         | 50,938,715 | (1,013,792)             | 49,924,922  |
| Segment liabilities   | 38,888,321                       | 8,117,347                   | 5,927          | 47,011,596 | (19,632)                | 46,991,963  |
| Others  |                                  |                             |                |            |                         |   |
| Depreciation  | 33,088                           | 17,108                      | 1              | 50,199     | (575)                   | 49,623  |
| Amortization of goodwill                                      | –                                | 3,567                       | –              | 3,567      | –                       | 3,567   |
| Interest and dividend income                                  | 886,100                          | 205,546                     | 5              | 1,091,652  | (16,262)                | 1,075,389   |
| Interest expenses   | 15,247                           | 16,394                      | 0              | 31,641     | (2,105)                 | 29,536  |
| Equity in net income of affiliated companies                  | –                                | 1,698                       | 4,420          | 6,119      | –                       | 6,119   |
| Extraordinary gains   | 286                              | 21                          | –              | 308        | –                       | 308   |
| Extraordinary losses  | 55,268                           | 3                           | 0              | 55,272     | –                       | 55,272  |
| (Impairment losses)   | (34,548)                         | (–)                         | (–)            | (34,548)   | (–)                     | (34,548)  |
| Taxes   | 67,957                           | 18,899                      | 261            | 87,119     | 57                      | 87,177  |
| Investments in affiliated companies                           | –                                | 41,358                      | 73,614         | 114,972    | –                       | 114,972   |
| Increase in tangible fixed assets and intangible fixed assets | 44,197                           | 1,741                       | 104            | 46,043     | –                       | 46,043  |

Note: 1. Ordinary revenues, instead of sales, are presented here.

2. Adjusted amounts are as follows.

a) Adjustment for ordinary revenues of ¥(16,152) million is mainly related to ordinary revenues including reversal of policy reserves of ¥8,340 million and derivative transaction gains of ¥3,617 million reconciled to ordinary expenses in the Consolidated Statement of Earnings.

b) Adjustment for segment income (loss) of ¥(13,896) million is mainly related to elimination of dividend income from subsidiaries and affiliated companies.

c) Adjustment for segment assets of ¥(1,013,792) million is mainly related to elimination of stocks of subsidiaries and affiliated companies.

d) Adjustment for segment liabilities of ¥(19,632) million is mainly related to consolidation adjustments for deferred tax assets.

e) Adjustment for others is mainly related to elimination of intersegment transactions.

3. Segment profit is reconciled with Ordinary profit booked in the Consolidated Statement of Earnings.

For the fiscal year ended March 31, 2017:

|   | Reportable Segment                     |                                   |                   |            | Adjustments<br>(Note 2) | Amount on consolidated<br>financial<br>statements<br>(Note 3) |
|---|--|-----------------------------------|-------------------|------------|-------------------------|---|
|   | Domestic Life<br>Insurance<br>Business | Overseas<br>Insurance<br>Business | Other<br>Business | Total      |                         |   |
| (Unit: million yen)   |  |                                   |                   |            |                         |   |
| Ordinary revenues (Note 1)                                    | 5,125,695                              | 1,371,436                         | 8,137             | 6,505,269  | (48,472)                | 6,456,796   |
| Intersegment transfers  | 7,998                                  | 2,356                             | 33,642            | 43,998     | (43,998)                | —   |
| Total   | 5,133,694                              | 1,373,792                         | 41,780            | 6,549,268  | (92,471)                | 6,456,796   |
| Segment income (loss)   | 339,801                                | 85,926                            | 20,733            | 446,461    | (21,141)                | 425,320   |
| Segment assets  | 42,462,352                             | 9,281,194                         | 1,757,680         | 53,501,227 | (1,515,376)             | 51,985,850  |
| Segment liabilities   | 39,867,640                             | 8,537,599                         | 454,642           | 48,859,883 | (11,299)                | 48,848,583  |
| Others  |  |                                   |                   |            |                         |   |
| Depreciation  | 31,441                                 | 21,051                            | 267               | 52,760     | (283)                   | 52,477  |
| Amortization of goodwill                                      | —                                      | 3,600                             | —                 | 3,600      | —                       | 3,600   |
| Interest and dividend income                                  | 878,698                                | 235,986                           | 16,406            | 1,131,092  | (23,299)                | 1,107,793   |
| Interest expenses   | 12,998                                 | 29,764                            | 842               | 43,605     | (2,702)                 | 40,902  |
| Equity in net income of affiliated companies                  | —                                      | 1,611                             | 4,812             | 6,424      | —                       | 6,424   |
| Extraordinary gains   | 4,988                                  | 25                                | 12,493            | 17,507     | (12)                    | 17,495  |
| Extraordinary losses  | 47,383                                 | 69                                | 6                 | 47,460     | (12)                    | 47,447  |
| (Impairment losses)   | (13,742)                               | (—)                               | (—)               | (13,742)   | (—)                     | (13,742)  |
| Taxes   | 50,805                                 | 28,889                            | (641)             | 79,053     | 18                      | 79,071  |
| Investments in affiliated companies                           | —                                      | 52,888                            | 79,740            | 132,628    | —                       | 132,628   |
| Increase in tangible fixed assets and intangible fixed assets | 68,607                                 | 3,151                             | 63                | 71,822     | —                       | 71,822  |

|   | Reportable Segment                        |                                   |                   |         | Adjustments<br>(Note 2) | Amount on consolidated<br>financial<br>statements<br>(Note 3) |
|---|---|-----------------------------------|-------------------|---------|-------------------------|---|
|   | Domestic<br>Life<br>Insurance<br>Business | Overseas<br>Insurance<br>Business | Other<br>Business | Total   |                         |   |
| (Unit: million US dollars)                                    |   |                                   |                   |         |                         |   |
| Ordinary revenues (Note 1)                                    | 45,687                                    | 12,224                            | 72                | 57,984  | (432)                   | 57,552  |
| Intersegment transfers  | 71  | 21                                | 299               | 392     | (392)                   | –   |
| Total   | 45,758                                    | 12,245                            | 372               | 58,376  | (824)                   | 57,552  |
| Segment income (loss)   | 3,028                                     | 765                               | 184               | 3,979   | (188)                   | 3,791   |
| Segment assets  | 378,486                                   | 82,727                            | 15,666            | 476,880 | (13,507)                | 463,373   |
| Segment liabilities   | 355,358                                   | 76,099                            | 4,052             | 435,510 | (100)                   | 435,409   |
| Others  |   |                                   |                   |         |                         |   |
| Depreciation  | 280                                       | 187                               | 2                 | 470     | (2)                     | 467   |
| Amortization of goodwill                                      | –   | 32                                | –                 | 32      | –                       | 32  |
| Interest and dividend income                                  | 7,832                                     | 2,103                             | 146               | 10,081  | (207)                   | 9,874   |
| Interest expenses   | 115                                       | 265                               | 7                 | 388     | (24)                    | 364   |
| Equity in net income of affiliated companies                  | –   | 14                                | 42                | 57      | –                       | 57  |
| Extraordinary gains   | 44  | 0                                 | 111               | 156     | (0)                     | 155   |
| Extraordinary losses  | 422                                       | 0                                 | 0                 | 423     | (0)                     | 422   |
| (Impairment losses)   | (122)                                     | (–)                               | (–)               | (122)   | (–)                     | (122)   |
| Taxes   | 452                                       | 257                               | (5)               | 704     | 0                       | 704   |
| Investments in affiliated companies                           | –   | 471                               | 710               | 1,182   | –                       | 1,182   |
| Increase in tangible fixed assets and intangible fixed assets | 611                                       | 28                                | 0                 | 640     | –                       | 640   |

Note: 1. Ordinary revenues, instead of sales, are presented here.

2. Adjusted amounts are as follows.

a) Adjustment for ordinary revenues of ¥(48,472) million (US\$(432) million) is mainly related to ordinary expenses including provision for reserves for outstanding claims of ¥28,521 million (US\$254 million) and ordinary revenues including foreign exchange gains of ¥7,433 million yen (US\$66 million) reconciled to other ordinary revenues and foreign exchange losses in the Consolidated Statement of Earnings, respectively.

b) Adjustment for segment income (loss) of ¥(21,141) million (US\$(188) million) is mainly related to elimination of dividend income from subsidiaries and affiliated companies.

c) Adjustment for segment assets of ¥(1,515,376) million (US\$(13,507) million) is mainly related to elimination of stocks of subsidiaries and affiliated companies.

d) Adjustment for segment liabilities of ¥(11,299) million (US\$(100) million) is mainly related to consolidation adjustments for deferred tax assets.

e) Adjustment for others is mainly related to elimination of intersegment transactions.

3. Segment profit is reconciled with Ordinary profit booked in the Consolidated Statement of Earnings.

## 2. Other Related Information

For the fiscal year ended March 31, 2016:

### (1) Product (Service) Segment Information

|                                  | Year ended March<br>31, 2016 |
|----------------------------------|------------------------------|
|                                  | (Unit: million yen)          |
| Premium and other income         |                              |
| Domestic Life Insurance Business | 4,743,536                    |
| Overseas Insurance Business      | 842,464                      |
| Other Business                   | –                            |
| Total                            | 5,586,000                    |

### (2) Geographic Segment Information

#### a) Ordinary Revenues

|                          | Year ended March<br>31, 2016 |
|--------------------------|------------------------------|
|                          | (Unit: million yen)          |
| Ordinary revenues        |                              |
| Japan                    | 6,018,832                    |
| United States of America | 822,867                      |
| Other Areas              | 492,247                      |
| Total                    | 7,333,947                    |

Note: 1. Ordinary revenues, instead of sales, are presented here.

2. Geographic area is classified into "Japan," "United States of America" or "Other Areas" mainly based on locations of customers.

b) Tangible fixed assets

The geographic segment information has been omitted as more than 90% of the Group's tangible fixed assets derive from its business unit in Japan.

**(3) Major Customer Information**

The major customer information has been omitted as no single customer accounts for 10% or more of the Group's ordinary revenues.

For the fiscal year ended March 31, 2017:

**(1) Product (Service) Segment Information**

|                                  | Year ended March 31, 2017 |                            |
|----------------------------------|---------------------------|----------------------------|
|                                  | (Unit: million yen)       | (Unit: million US dollars) |
| Premium and other income         |                           |                            |
| Domestic Life Insurance Business | 3,541,241                 | 31,564                     |
| Overseas Insurance Business      | 927,494                   | 8,267                      |
| Other Business                   | —                         | —                          |
| <b>Total</b>                     | <b>4,468,736</b>          | <b>39,831</b>              |

**(2) Geographic Segment Information**

a) Ordinary Revenues

|                          | Year ended March 31, 2017 |                            |
|--------------------------|---------------------------|----------------------------|
|                          | (Unit: million yen)       | (Unit: million US dollars) |
| Ordinary revenues        |                           |                            |
| Japan                    | 4,958,718                 | 44,199                     |
| United States of America | 1,040,457                 | 9,274                      |
| Other Areas              | 457,620                   | 4,078                      |
| <b>Total</b>             | <b>6,456,796</b>          | <b>57,552</b>              |

Note: 1. Ordinary revenues, instead of sales, are presented here.

2. Geographic area is classified into "Japan," "United States of America" or "Other Areas" mainly based on locations of customers.

b) Tangible fixed assets

The geographic segment information has been omitted as more than 90% of the Group's tangible fixed assets derive from its business unit in Japan.

**(3) Major Customer Information**

The major customer information has been omitted as no single customer accounts for 10% or more of the Group's ordinary revenues.

**3. Impairment Losses on Fixed Assets by Reporting Segment**

For the fiscal years ended March 31, 2016 and 2017

The information on impairment losses on fixed assets by reporting segment has been omitted as it is explained in the segment information section.

#### 4. Amortization of Goodwill and Unamortized Amount of Goodwill by Reporting Segment

For the fiscal year ended March 31, 2016:

| Year ended March 31, 2016        |                          |                                |
|----------------------------------|--------------------------|--------------------------------|
|                                  | (Unit: million yen)      |                                |
|                                  | Amortization of goodwill | Unamortized amount of goodwill |
| Domestic Life Insurance Business | —                        | —                              |
| Overseas Insurance Business      | 3,567                    | 54,832                         |
| Other Business                   | —                        | —                              |
| Total                            | 3,567                    | 54,832                         |

For the fiscal year ended March 31, 2017:

| Year ended March 31, 2017        |                          |                                |                            |                                |
|----------------------------------|--------------------------|--------------------------------|----------------------------|--------------------------------|
|                                  | (Unit: million yen)      |                                | (Unit: million US dollars) |                                |
|                                  | Amortization of goodwill | Unamortized amount of goodwill | Amortization of goodwill   | Unamortized amount of goodwill |
| Domestic Life Insurance Business | —                        | —                              | —                          | —                              |
| Overseas Insurance Business      | 3,600                    | 57,938                         | 32                         | 516                            |
| Other Business                   | —                        | —                              | —                          | —                              |
| Total                            | 3,600                    | 57,938                         | 32                         | 516                            |

#### 5. Gain on Negative Goodwill by Reporting Segment

For the fiscal years ended March 31, 2016 and 2017

Not applicable

#### 6. Related Party Transactions

For the fiscal years ended March 31, 2016 and 2017

There are no significant transactions to be disclosed.

### XX. PER SHARE INFORMATION

| As of / Year ended March 31, |             |          |                    |
|------------------------------|-------------|----------|--------------------|
|                              | 2016        | 2017     | 2017               |
|                              | (Unit: yen) |          | (Unit: US dollars) |
| Net assets per share         | 2,472.86    | 2,668.61 | 23.78              |
| Net income per share         | 150.53      | 196.62   | 1.75               |
| Diluted net income per share | 150.44      | 196.48   | 1.75               |

Note: 1. Underlying basis for the calculation of the net income per share and the diluted net income per share was as follows:

| Year ended March 31,  |                           |                           |                            |
|---|---------------------------|---------------------------|----------------------------|
|   | 2016                      | 2017                      | 2017                       |
|   | (Unit: million yen)       |                           | (Unit: million US dollars) |
| Net income per share  |                           |                           |                            |
| Net income attributable to shareholders of parent company   | 178,515                   | 231,286                   | 2,061                      |
| Net income attributable to other than shareholders of common stock  | —                         | —                         | —                          |
| Net income attributable to shareholders of common stock   | 178,515                   | 231,286                   | 2,061                      |
| Average number of common stock outstanding  | 1,185,939 thousand shares | 1,176,333 thousand shares | 1,176,333 thousand shares  |
| Diluted net income per share  |                           |                           |                            |
| Adjustments to net income   | —                         | —                         | —                          |
| Increase in the number of common stock  | 701 thousand shares       | 838 thousand shares       | 838 thousand shares        |
| [Increase in the number of common stock attributable to subscription rights to shares]  | [701 thousand shares]     | [838 thousand shares]     | [838 thousand shares]      |
| Outline of the dilutive shares which are not counted in the basis of calculation of diluted net income per share because they do not have dilutive effect | —                         | —                         | —                          |

Note: 2. Underlying basis for the calculation of the net assets per share was as follows:

|   | As of March 31,     |                 |                            |
|---|---------------------|-----------------|----------------------------|
|   | 2016                | 2017            | 2017                       |
|   | (Unit: million yen) |                 | (Unit: million US dollars) |
| Net assets                              | 2,932,959           | 3,137,266       | 27,963                     |
| Adjustments                             | (998)               | (1,247)         | (11)                       |
| Subscription rights to shares           | (925)               | (1,247)         | (11)                       |
| Non-controlling interests               | (72)                | (-)             | (-)                        |
| Net assets attributable to common stock | 2,931,960           | 3,136,019       | 27,952                     |
| Number of outstanding common stock      | 1,185,654           | 1,175,149       | 1,175,149                  |
|   | thousand shares     | thousand shares | thousand shares            |

Note: 3. For the calculation of net income per share, the treasury stock which includes shares held by (1) "the Stock Granting Trust (J-ESOP)" and (2) "the Company's Trust-type Employee Shareholding Incentive Plan (E-Ship®)" was excluded from the average number of common shares outstanding. The Trust Fund for Dai-ichi Life Insurance Employee Stock Holding Partnership was terminated in July 2016. The average number of treasury stocks during the year ended March 31, 2016 and 2017 was 5,982 thousand shares and 4,585 thousand shares, respectively. For the calculation of net assets per share, the treasury stock which includes shares held by the J-ESOP and the E-ship® was excluded from the total number of issued and outstanding shares. The number of treasury stocks as of March 31, 2016 and 2017 was 5,490 thousand shares and 4,334 thousand shares, respectively.

## XXI. SUBSEQUENT EVENTS

- The board of directors of the Company resolved at its meeting held on May 15, 2017 to repurchase the Company's own shares under the provision of Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the Act, as follows.

**(1) Reason for the Repurchase of the Company's own shares**

To enhance shareholder return through the implementation of a flexible capital policy and the improvement of capital efficiency.

**(2) Details of the Repurchase**

- Class of shares to be repurchased  
Shares of common stock
- Aggregate number of shares to be repurchased  
Up to 23,000,000 shares
- Aggregate price of shares to be repurchased  
Up to 23,000 million yen (US\$205 million)
- Period of repurchase of shares  
From May 16, 2017 to March 31, 2018
- Method of repurchase of shares  
Open-market repurchase by the trust method

- The Company announced that its U.S. asset management affiliate, Janus Capital Group, Inc. ("Janus") and Henderson Group plc ("Henderson"), a U.K. asset manager have completed the merger of equals on May 30, 2017 under the merger agreement publicly disclosed on October 3, 2016. The name of combined company is Janus Henderson Group plc ("Janus Henderson"). Ownership of Janus Henderson by the Company is 8.6% and excluded from the scope of affiliated companies.

## XXII. (Unaudited) QUARTERLY INFORMATION

|   | Three months ended<br>June 30, 2016 | Six months ended<br>September 30, 2016 | Nine months ended<br>December 31, 2016 | Year ended<br>March 31, 2017 |
|---|-------------------------------------|--|--|------------------------------|
| Ordinary revenues (million yen)   | 1,676,078                           | 3,190,111                              | 4,728,691                              | 6,456,796                    |
| Income before income taxes (million yen)                                  | 77,140                              | 153,927                                | 246,393                                | 310,367                      |
| Net income attributable to shareholders of parent company (million yen)   | 48,444                              | 106,037                                | 183,507                                | 231,286                      |
| Net income attributable to shareholders of parent company per share (yen) | 41.06                               | 90.05                                  | 155.95                                 | 196.62                       |

|   | Three months ended<br>June 30, 2016 | Three months ended<br>September 30, 2016 | Three months ended<br>December 31, 2016 | Three months ended<br>March 31, 2017 |
|---|-------------------------------------|--|---|--------------------------------------|
| Net income attributable to shareholders of parent company per share (yen) | 41.06                               | 49.01                                    | 65.92                                   | 40.66                                |

|  | Three months ended<br>June 30, 2016 | Six months ended<br>September 30, 2016 | Nine months ended<br>December 31, 2016 | Year ended<br>March 31, 2017 |
|--|-------------------------------------|--|--|------------------------------|
| Ordinary revenues (million US dollars)   | 14,939                              | 28,434                                 | 42,148                                 | 57,552                       |
| Income before income taxes (million US dollars)                                  | 687                                 | 1,372                                  | 2,196                                  | 2,766                        |
| Net income attributable to shareholders of parent company (million US dollars)   | 431                                 | 945                                    | 1,635                                  | 2,061                        |
| Net income attributable to shareholders of parent company per share (US dollars) | 0.36                                | 0.80                                   | 1.39                                   | 1.75                         |

|  | Three months ended<br>June 30, 2016 | Three months ended<br>September 30, 2016 | Three months ended<br>December 31, 2016 | Three months ended<br>March 31, 2017 |
|--|-------------------------------------|--|---|--------------------------------------|
| Net income attributable to shareholders of parent company per share (US dollars) | 0.36                                | 0.43                                     | 0.58                                    | 0.36                                 |



# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

## Independent Auditor's Report

The Board of Directors  
Dai-ichi Life Holdings, Inc.

We have audited the accompanying consolidated financial statements of Dai-ichi Life Holdings, Inc. (formerly The Dai-ichi Life Insurance Company, Limited) and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2017, and the consolidated statements of earnings, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dai-ichi Life Holdings, Inc. (formerly The Dai-ichi Life Insurance Company, Limited) and its consolidated subsidiaries as of March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note I.

*Ernst & Young ShinNihon LLC*

June 26, 2017

# Balance Sheet of The Dai-ichi Life Insurance Company, Limited

|   | (Unit: million yen) | (Unit: million<br>US dollars) |
|---|---------------------|-------------------------------|
|   | As of March 31,     |                               |
|   | 2017                | 2017                          |
| (ASSETS)  |                     |                               |
| Cash and deposits                                     | 438,454             | 3,908                         |
| Cash  | 166                 | 1                             |
| Bank deposits   | 438,287             | 3,906                         |
| Call loans  | 98,500              | 877                           |
| Monetary claims bought                                | 192,213             | 1,713                         |
| Money held in trust                                   | 50,191              | 447                           |
| Securities  | 30,498,102          | 271,843                       |
| Government bonds                                      | 14,084,907          | 125,545                       |
| Local government bonds                                | 109,098             | 972                           |
| Corporate bonds                                       | 2,023,985           | 18,040                        |
| Stocks  | 3,666,952           | 32,685                        |
| Foreign securities                                    | 9,868,430           | 87,961                        |
| Other securities                                      | 744,727             | 6,638                         |
| Loans   | 2,657,852           | 23,690                        |
| Policy loans  | 381,830             | 3,403                         |
| Ordinary loans  | 2,276,021           | 20,287                        |
| Tangible fixed assets                                 | 1,124,412           | 10,022                        |
| Land  | 772,021             | 6,881                         |
| Buildings   | 343,658             | 3,063                         |
| Leased assets   | 4,923               | 43                            |
| Construction in progress                              | 691                 | 6                             |
| Other tangible fixed assets                           | 3,117               | 27                            |
| Intangible fixed assets                               | 87,793              | 782                           |
| Software  | 65,228              | 581                           |
| Other intangible fixed assets                         | 22,564              | 201                           |
| Reinsurance receivable                                | 2,260               | 20                            |
| Other assets  | 434,994             | 3,877                         |
| Accounts receivable                                   | 51,700              | 460                           |
| Prepaid expenses                                      | 11,114              | 99                            |
| Accrued revenue                                       | 156,736             | 1,397                         |
| Deposits  | 41,368              | 368                           |
| Margin money for futures trading                      | 65,173              | 580                           |
| Differential account for futures trading              | 12                  | 0                             |
| Derivatives   | 73,403              | 654                           |
| Suspense payment                                      | 4,865               | 43                            |
| Other assets  | 30,618              | 272                           |
| Customers' liabilities for acceptances and guarantees | 103,786             | 925                           |
| Reserve for possible loan losses                      | (1,472)             | (13)                          |
| Reserve for possible investment losses                | (444)               | (3)                           |
| Total assets  | 35,686,645          | 318,091                       |

# Balance Sheet of The Dai-ichi Life Insurance Company, Limited (Continued)

|  | (Unit: million yen) | (Unit: million<br>US dollars) |
|--|---------------------|-------------------------------|
|  | As of March 31,     |                               |
|  | 2017                | 2017                          |
| <b>(LIABILITIES)</b>   |                     |                               |
| Policy reserves and others   | 30,864,753          | 275,111                       |
| Reserves for outstanding claims  | 229,698             | 2,047                         |
| Policy reserves  | 30,249,170          | 269,624                       |
| Reserve for policyholder dividends   | 385,884             | 3,439                         |
| Reinsurance payable  | 741                 | 6                             |
| Bonds payable  | 476,277             | 4,245                         |
| Other liabilities  | 1,004,764           | 8,955                         |
| Collateral for securities lending transactions   | 267,871             | 2,387                         |
| Long-term debt and other borrowings  | 283,000             | 2,522                         |
| Corporate income tax payable   | 9,967               | 88                            |
| Accounts payable   | 43,804              | 390                           |
| Accrued expenses   | 48,088              | 428                           |
| Unearned revenue   | 684                 | 6                             |
| Deposits received  | 55,287              | 492                           |
| Guarantee deposits received  | 50,260              | 447                           |
| Derivatives  | 231,126             | 2,060                         |
| Collateral for financial instruments   | 2,848               | 25                            |
| Lease liabilities  | 4,956               | 44                            |
| Asset retirement obligations   | 2,674               | 23                            |
| Suspense receipt   | 1,473               | 13                            |
| Other liabilities  | 2,720               | 24                            |
| Reserve for employees' retirement benefits   | 380,870             | 3,394                         |
| Reserve for retirement benefits of directors, executive officers<br>and corporate auditors | 1,498               | 13                            |
| Reserve for possible reimbursement of prescribed claims                                    | 800                 | 7                             |
| Reserve for price fluctuations   | 164,453             | 1,465                         |
| Deferred tax liabilities   | 129,833             | 1,157                         |
| Deferred tax liabilities for land revaluation  | 77,236              | 688                           |
| Acceptances and guarantees   | 103,786             | 925                           |
| Total liabilities  | 33,205,016          | 295,971                       |
| <b>(NET ASSETS)</b>  |                     |                               |
| Capital stock  | 60,000              | 534                           |
| Capital surplus  | 470,000             | 4,189                         |
| Legal capital surplus  | 60,000              | 534                           |
| Other capital surplus  | 410,000             | 3,654                         |
| Retained earnings  | 31,230              | 278                           |
| Other retained earnings  | 31,230              | 278                           |
| Reserve for tax basis adjustments of real estate   | 1,257               | 11                            |
| Retained earnings brought forward  | 29,972              | 267                           |
| Total shareholders' equity   | 561,230             | 5,002                         |
| Net unrealized gains (losses) on securities, net of tax                                    | 1,963,267           | 17,499                        |
| Deferred hedge gains (losses)  | (25,327)            | (225)                         |
| Reserve for land revaluation   | (17,541)            | (156)                         |
| Total of valuation and translation adjustments   | 1,920,398           | 17,117                        |
| Total net assets   | 2,481,628           | 22,119                        |
| Total liabilities and net assets   | 35,686,645          | 318,091                       |

# Statement of Earnings of The Dai-ichi Life Insurance Company, Limited

|  | (Unit: million yen)  | (Unit: million US dollars) |
|--|----------------------|----------------------------|
|  | Year ended March 31, |                            |
|  | 2017                 | 2017                       |
| Ordinary revenues                                      | 1,976,814            | 17,620                     |
| Premium and other income                               | 1,233,330            | 10,993                     |
| Premium income   | 1,232,824            | 10,988                     |
| Reinsurance income                                     | 505                  | 4                          |
| Investment income                                      | 593,797              | 5,292                      |
| Interest and dividends                                 | 396,642              | 3,535                      |
| Interest from bank deposits                            | 3,280                | 29                         |
| Interest and dividends from securities                 | 324,755              | 2,894                      |
| Interest from loans                                    | 27,584               | 245                        |
| Rental income  | 35,676               | 317                        |
| Other interest and dividends                           | 5,345                | 47                         |
| Gains on money held in trust                           | 4,018                | 35                         |
| Gains on sale of securities                            | 110,423              | 984                        |
| Gains on redemption of securities                      | 17,445               | 155                        |
| Other investment income                                | 674                  | 6                          |
| Gains on investments in separate accounts              | 64,592               | 575                        |
| Other ordinary revenues                                | 149,686              | 1,334                      |
| Fund receipt for annuity rider of group insurance      | 313                  | 2                          |
| Fund receipt for claim deposit payment                 | 137,930              | 1,229                      |
| Reversal of reserve for employees' retirement benefits | 1,934                | 17                         |
| Other ordinary revenues                                | 9,508                | 84                         |
| Ordinary expenses                                      | 1,877,646            | 16,736                     |
| Benefits and claims                                    | 1,182,154            | 10,537                     |
| Claims   | 385,341              | 3,434                      |
| Annuities  | 291,580              | 2,598                      |
| Benefits   | 175,674              | 1,565                      |
| Surrender values                                       | 247,083              | 2,202                      |
| Other refunds  | 81,528               | 726                        |
| Ceding reinsurance commissions                         | 947                  | 8                          |
| Provision for policy reserves and others               | 119,799              | 1,067                      |
| Provision for reserves for outstanding claims          | 7,814                | 69                         |
| Provision for policy reserves                          | 107,827              | 961                        |
| Provision for interest on policyholder dividends       | 4,156                | 37                         |
| Investment expenses                                    | 203,865              | 1,817                      |
| Interest expenses                                      | 6,838                | 60                         |
| Losses on sale of securities                           | 59,864               | 533                        |
| Losses on valuation of securities                      | 15,307               | 136                        |
| Losses on redemption of securities                     | 857                  | 7                          |
| Derivative transaction losses                          | 52,851               | 471                        |
| Foreign exchange losses                                | 37,506               | 334                        |
| Provision for reserve for possible loan losses         | 349                  | 3                          |
| Provision for reserve for possible investment losses   | 10                   | 0                          |
| Write-down of loans                                    | 21                   | 0                          |
| Depreciation of real estate for rent and others        | 6,788                | 60                         |
| Other investment expenses                              | 23,470               | 209                        |
| Operating expenses                                     | 213,205              | 1,900                      |
| Other ordinary expenses                                | 158,622              | 1,413                      |
| Claim deposit payments                                 | 120,274              | 1,072                      |
| National and local taxes                               | 18,666               | 166                        |
| Depreciation   | 15,151               | 135                        |
| Other ordinary expenses                                | 4,529                | 40                         |
| Ordinary profit  | 99,167               | 883                        |

# Statement of Earnings of The Dai-ichi Life Insurance Company, Limited (Continued)

|  | (Unit: million yen)  | (Unit: million<br>US dollars) |
|--|----------------------|-------------------------------|
|  | Year ended March 31, |                               |
|  | 2017                 | 2017                          |
| Extraordinary gains                              | 508                  | 4                             |
| Gains on disposal of fixed assets                | 508                  | 4                             |
| Extraordinary losses                             | 19,605               | 174                           |
| Losses on disposal of fixed assets               | 8,866                | 79                            |
| Impairment losses on fixed assets                | 2,438                | 21                            |
| Provision for reserve for price fluctuations     | 8,000                | 71                            |
| Other extraordinary losses                       | 299                  | 2                             |
| Provision for reserve for policyholder dividends | 40,000               | 356                           |
| Income before income taxes                       | 40,071               | 357                           |
| Corporate income taxes-current                   | 26,982               | 240                           |
| Corporate income taxes-deferred                  | (19,292)             | (171)                         |
| Total of corporate income taxes                  | 7,689                | 68                            |
| Net income for the year                          | 32,382               | 288                           |

Trading name changed from "The Dai-ichi Life Split Preparation Company, Limited" to "The Dai-ichi Life Insurance Company, Limited" on October 1, 2016. The figures are the sum of "The Dai-ichi Life Split Preparation Company, Limited" and "The Dai-ichi Life Insurance Company, Limited" results.

# Statement of Cash Flows of The Dai-ichi Life Insurance Company, Limited

|  | (Unit: million yen)  | (Unit: million US dollars) |
|--|----------------------|----------------------------|
|  | Year ended March 31, |                            |
|  | 2017                 | 2017                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                      |                            |
| Income before income taxes   | 40,071               | 357                        |
| Depreciation of rented real estate and others  | 6,788                | 60                         |
| Depreciation   | 15,151               | 135                        |
| Impairment losses on fixed assets  | 2,438                | 21                         |
| Increase (decrease) in reserves for outstanding claims   | 7,814                | 69                         |
| Increase (decrease) in policy reserves   | 107,827              | 961                        |
| Provision for interest on policyholder dividends   | 4,156                | 37                         |
| Provision for (reversal of) reserve for policyholder dividends   | 40,000               | 356                        |
| Increase (decrease) in reserve for possible loan losses  | 336                  | 2                          |
| Increase (decrease) in reserve for possible investment losses  | 10                   | 0                          |
| Write-down of loans  | 21                   | 0                          |
| Increase (decrease) in reserve for employees' retirement benefits  | (1,635)              | (14)                       |
| Increase (decrease) in reserve for retirement benefits of directors, executive officers and corporate auditors | (286)                | (2)                        |
| Increase (decrease) in reserve for price fluctuations  | 8,000                | 71                         |
| Interest and dividends   | (396,642)            | (3,535)                    |
| Securities related losses (gains)  | (116,431)            | (1,037)                    |
| Interest expenses  | 6,838                | 60                         |
| Foreign exchange losses (gains)  | 37,506               | 334                        |
| Losses (gains) on disposal of fixed assets   | 8,312                | 74                         |
| Decrease (increase) in reinsurance receivable  | 91                   | 0                          |
| Decrease (increase) in other assets unrelated to investing and financing activities                            | (4,274)              | (38)                       |
| Increase (decrease) in reinsurance payable   | 139                  | 1                          |
| Increase (decrease) in other liabilities unrelated to investing and financing activities                       | 11,058               | 98                         |
| Increase (decrease) in accounts payable relating to introduction of defined-contribution pension plan          | (6)                  | (0)                        |
| Others, net  | 72,630               | 647                        |
| Subtotal   | (150,081)            | (1,337)                    |
| Interest and dividends received  | 399,274              | 3,558                      |
| Interest paid  | (7,947)              | (70)                       |
| Policyholder dividends paid  | (41,342)             | (368)                      |
| Others, net  | (246,985)            | (2,201)                    |
| Corporate income taxes paid  | (8,199)              | (73)                       |
| Net cash flows provided by (used in) operating activities  | (55,282)             | (492)                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                      |                            |
| Purchases of monetary claims bought  | (16,014)             | (142)                      |
| Proceeds from sale and redemption of monetary claims bought  | 33,900               | 302                        |
| Proceeds from decrease in money held in trust  | 2,518                | 22                         |
| Purchases of securities  | (2,872,479)          | (25,603)                   |
| Proceeds from sale and redemption of securities  | 2,539,993            | 22,640                     |
| Origination of loans   | (146,697)            | (1,307)                    |
| Proceeds from collection of loans  | 295,908              | 2,637                      |
| Others, net  | 89,380               | 796                        |
| Total of net cash provided by (used in) investment transactions  | (73,489)             | (655)                      |
| Total of net cash provided by (used in) operating activities and investment transactions                       | (128,772)            | (1,147)                    |
| Acquisition of tangible fixed assets   | (15,773)             | (140)                      |
| Proceeds from sale of tangible fixed assets  | 21,027               | 187                        |
| Acquisition of intangible fixed assets   | (13,433)             | (119)                      |
| Proceeds from sale of intangible fixed assets  | 11                   | 0                          |
| Net cash flows provided by (used in) investing activities  | (81,658)             | (727)                      |

|   | (Unit: million yen)  | (Unit: million<br>US dollars) |
|---|----------------------|-------------------------------|
|   | Year ended March 31, |                               |
|   | 2017                 | 2017                          |
| CASH FLOWS FROM FINANCING ACTIVITIES                                    |                      |                               |
| Repayment of financial lease obligations                                | (808)                | (7)                           |
| Net cash flows provided by (used in) financing activities               | (808)                | (7)                           |
| Effect of exchange rate changes on cash and cash equivalents            | 990                  | 8                             |
| Net increase (decrease) in cash and cash equivalents                    | (136,759)            | (1,218)                       |
| Cash and cash equivalents at the beginning of the year                  | 100                  | 0                             |
| Increase (decrease) in cash and cash equivalents due to corporate split | 673,613              | 6,004                         |
| Cash and cash equivalents at the end of the year                        | 536,954              | 4,786                         |

# Statement of Changes in Net Assets of The Dai-ichi Life Insurance Company, Limited

Year ended March 31, 2017

(Unit: million yen)

|  | Shareholders' equity |                       |                       |                       |
|--|----------------------|-----------------------|-----------------------|-----------------------|
|  | Capital stock        | Capital surplus       |                       |                       |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus |
| 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   |                      |                       |                       |                       |
| Transfer to reserve for tax basis adjustments of real estate |                      |                       |                       |                       |
| Transfer from reserve for land revaluation                   |                      |                       |                       |                       |
| Net changes of items other than shareholders' equity         |                      |                       |                       |                       |
| Total changes for the year                                   | 59,900               | 60,000                | 410,000               | 470,000               |
| Balance at the end of the year                               | 60,000               | 60,000                | 410,000               | 470,000               |

(Unit: million yen)

|  | Shareholders' equity                             |                                   |                         |                            |
|--|--|-----------------------------------|-------------------------|----------------------------|
|  | Retained earnings                                |                                   |                         | Total shareholders' equity |
|  | Other retained earnings                          |                                   | Total 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                              |  |                                   |                         | 529,900                    |
| Net income   |  | 32,382                            | 32,382                  | 32,382                     |
| Transfer to reserve for tax basis adjustments of real estate | 1,257  | (1,257)                           |                         | —                          |
| Transfer from reserve for land revaluation                   |  | (1,151)                           | (1,151)                 | (1,151)                    |
| Net changes of items other than shareholders' equity         |  |                                   |                         |                            |
| Total changes for the year                                   | 1,257  | 29,972                            | 31,230                  | 561,130                    |
| Balance at the end of the year                               | 1,257  | 29,972                            | 31,230                  | 561,230                    |

(Unit: million yen)

|  | Valuation and translation adjustments                   |                               |                              |  | Total net assets |
|--|---|-------------------------------|------------------------------|--|------------------|
|  | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Total of valuation and translation adjustments |                  |
| Balance at the beginning of the year                         | —   | —                             | —                            | —  | 100              |
| Changes for the year   |   |                               |                              |  |                  |
| Increase due to corporate split                              |   |                               |                              |  | 529,900          |
| Net income   |   |                               |                              |  | 32,382           |
| Transfer to reserve for tax basis adjustments of real estate |   |                               |                              |  | —                |
| Transfer from reserve for land revaluation                   |   |                               |                              |  | (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                                   | 1,963,267   | (25,327)                      | (17,541)                     | 1,920,398                                      | 2,481,528        |
| Balance at the end of the year                               | 1,963,267   | (25,327)                      | (17,541)                     | 1,920,398                                      | 2,481,628        |



# Statement of Changes in Net Assets of The Dai-ichi Life Insurance Company, Limited (Continued)

Year ended March 31, 2017

(Unit: million US dollars)

|  | Shareholders' equity |                       |                       |                       |
|--|----------------------|-----------------------|-----------------------|-----------------------|
|  | Capital stock        | Capital surplus       |                       | Total capital surplus |
|  |                      | Legal capital surplus | Other capital surplus |                       |
| Balance at the beginning of the year                         | 0                    | —                     | —                     | —                     |
| Changes for the year   |                      |                       |                       |                       |
| Increase due to corporate split                              | 533                  | 534                   | 3,654                 | 4,189                 |
| Net income   |                      |                       |                       |                       |
| Transfer to reserve for tax basis adjustments of real estate |                      |                       |                       |                       |
| Transfer from reserve for land revaluation                   |                      |                       |                       |                       |
| Net changes of items other than shareholders' equity         |                      |                       |                       |                       |
| Total changes for the year                                   | 533                  | 534                   | 3,654                 | 4,189                 |
| Balance at the end of the year                               | 534                  | 534                   | 3,654                 | 4,189                 |

(Unit: million US dollars)

|  | Shareholders' equity                             |                                   |                         | Shareholders' equity       |
|--|--|-----------------------------------|-------------------------|----------------------------|
|  | Retained earnings                                |                                   |                         |                            |
|  | Other retained earnings                          |                                   | Total retained earnings | Total shareholders' equity |
|  | Reserve for tax basis adjustments of real estate | Retained earnings brought forward |                         |                            |
| Balance at the beginning of the year                         | —  | —                                 | —                       | 0                          |
| Changes for the year   |  |                                   |                         |                            |
| Increase due to corporate split                              |  |                                   |                         | 4,723                      |
| Net income   |  | 288                               | 288                     | 288                        |
| Transfer to reserve for tax basis adjustments of real estate | 11   | (11)                              |                         | -                          |
| Transfer from reserve for land revaluation                   |  | (10)                              | (10)                    | (10)                       |
| Net changes of items other than shareholders' equity         |  |                                   |                         |                            |
| Total changes for the year                                   | 11   | 267                               | 278                     | 5,001                      |
| Balance at the end of the year                               | 11   | 267                               | 278                     | 5,002                      |

(Unit: million US dollars)

|  | Valuation and translation adjustments                   |                               |                              |  | Total net assets |
|--|---|-------------------------------|------------------------------|--|------------------|
|  | Net unrealized gains (losses) on securities, net of tax | Deferred hedge gains (losses) | Reserve for land revaluation | Total of valuation and translation adjustments |                  |
| Balance at the beginning of the year                         | —   | —                             | —                            | —  | 0                |
| Changes for the year   |   |                               |                              |  |                  |
| Increase due to corporate split                              |   |                               |                              |  | 4,723            |
| Net income   |   |                               |                              |  | 288              |
| Transfer to reserve for tax basis adjustments of real estate |   |                               |                              |  | —                |
| Transfer from reserve for land revaluation                   |   |                               |                              |  | (10)             |
| Net changes of items other than shareholders' equity         | 17,499  | (225)                         | (156)                        | 17,117   | 17,117           |
| Total changes for the year                                   | 17,499  | (225)                         | (156)                        | 17,117   | 22,118           |
| Balance at the end of the year                               | 17,499  | (225)                         | (156)                        | 17,117   | 22,119           |

# NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED MARCH 31, 2017

## I . BASIS FOR PRESENTATION

The accompanying financial statements have been prepared from the accounts maintained by The Dai-ichi Life Insurance Company, Limited ("DL"). Certain items presented in the financial statements are reclassified for the convenience of readers outside Japan.

The amounts indicated in millions of yen are rounded down by truncating the figures below one million. Totals may not add up exactly because of such truncation. Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥112.19=US\$1.00, the foreign exchange rate on March 31, 2017, has been used for translation of the truncated figures in Japanese yen. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled into U.S. dollars at that rate or any other rate.

## II . NOTES TO THE BALANCE SHEET AS OF MARCH 31, 2017

### 1. Valuation Methods of Securities

Securities held by DL 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**

DL 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 (Publicly Issue 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

DL 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, 2017 was ¥607,749 million (US\$ 5,417 million).

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

DL translates 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 are 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 DL 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 and 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, 2017 was ¥55 million (US\$ 0 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, 2017.

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, 2017.

**(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 DL 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.

**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 based on the book value of stocks and other securities at the end of the year 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" (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 bond over-the-counter options is used for hedges against interest rate fluctuations in certain foreign currency-denominated bonds; 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 JICPA).

#### (2) Hedging Instruments and Hedged Items

| Hedging instruments                | Hedged items   |
|------------------------------------|--|
| 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

DL 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

DL 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 DL 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. Changes in Accounting Policies (Application of ASBJ Guidance No. 26)

Effective the fiscal year ended March 31, 2017, DL applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 issued on March 28, 2016).

## 17. 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, DL engages in asset liability management, or ALM, which considers the long-term balance between assets and liabilities to ensure stable returns. With this strategy, DL holds fixed income investments, including bonds and loans, as the core of its asset portfolio. While placing its financial soundness first, DL also holds stocks and foreign securities within its tolerable risk to enhance its profitability and facilitate diversification of investment risks.

DL 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, DL 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, DL 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 DL, 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.

DL might be exposed to liquidity risk relating to loans and bonds to raise capital 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.

DL 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, DL applies hedge accounting and 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), DL 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 DL is as follows:

##### i) Market Risk Management

Under the internal investment policy and market risk management policy, DL 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

DL 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

DL 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

DL 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 sets 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, DL 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, DL 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, DL 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, 2017 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, 2017                              | Carrying amount     | Fair value        | Gains (Losses)   | Carrying amount            | Fair value     | Gains (Losses) |
|---|---------------------|-------------------|------------------|----------------------------|----------------|----------------|
|   | (Unit: million yen) |                   |                  | (Unit: million US dollars) |                |                |
| (1) Cash and deposits                             | 438,454             | 438,454           | —                | 3,908                      | 3,908          | —              |
| (2) Call loans                                    | 98,500              | 98,500            | —                | 877                        | 877            | —              |
| (3) Monetary claims bought                        | 192,213             | 192,213           | —                | 1,713                      | 1,713          | —              |
| (4) Money held in trust                           | 50,191              | 50,191            | —                | 447                        | 447            | —              |
| (5) Securities                                    |                     |                   |                  |                            |                |                |
| a. Trading securities                             | 838,851             | 838,851           | —                | 7,477                      | 7,477          | —              |
| b. Held-to-maturity bonds                         | 46,014              | 50,534            | 4,519            | 410                        | 450            | 40             |
| c. Policy-reserve-matching bonds                  | 12,001,580          | 14,764,373        | 2,762,792        | 106,975                    | 131,601        | 24,626         |
| d. Stocks of subsidiaries and affiliate companies | 321                 | 302               | (19)             | 2                          | 2              | (0)            |
| e. Available-for-sale securities                  | 16,942,419          | 16,942,419        | —                | 151,015                    | 151,015        | —              |
| (6) Loans   | 2,657,852           |                   |                  | 23,690                     |                |                |
| Reserve for possible loan losses (*1)             | (808)               |                   |                  | (7)                        |                |                |
|   | 2,657,043           | 2,798,441         | 141,397          | 23,683                     | 24,943         | 1,260          |
| <b>Total assets</b>                               | <b>33,265,591</b>   | <b>36,174,282</b> | <b>2,908,690</b> | <b>296,511</b>             | <b>322,437</b> | <b>25,926</b>  |
| (1) Bonds payable                                 | 476,277             | 492,576           | 16,299           | 4,245                      | 4,390          | 145            |
| (2) Long-term borrowings                          | 283,000             | 288,019           | 5,019            | 2,522                      | 2,567          | 44             |
| <b>Total liabilities</b>                          | <b>759,277</b>      | <b>780,596</b>    | <b>21,319</b>    | <b>6,767</b>               | <b>6,957</b>   | <b>190</b>     |
| Derivative transactions (* 2)                     |                     |                   |                  |                            |                |                |
| a. Hedge accounting not applied                   | [949]               | [949]             | —                | [8]                        | [8]            | —              |
| b. Hedge accounting applied                       | [156,773]           | [159,745]         | (2,972)          | [1,397]                    | [1,423]        | (26)           |
| <b>Total derivative transactions</b>              | <b>[157,722]</b>    | <b>[160,694]</b>  | <b>(2,972)</b>   | <b>[1,405]</b>             | <b>[1,432]</b> | <b>(26)</b>    |

(\*1) Excluding general reserves for possible loan losses and specific 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

(1) 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.

(2) 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.

(3) Monetary claims bought

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

(4) 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.

(5) 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.

(6) 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 the 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

(1) Bonds payable

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

(2) 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 (foreign currency forward contracts, currency options, etc.); b) interest-related transactions (interest rate futures, interest rate swaps, etc.); c) stock-related transactions (yen stock index futures, foreign currency-denominated stock index futures, etc.); and d) bond-related transactions (yen bond futures, foreign currency-denominated bond futures, 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 (5) Securities in (Note 1)

| As of March 31, 2017                 | Carrying amount     |                            |
|--------------------------------------|---------------------|----------------------------|
|                                      | (Unit: million yen) | (Unit: million US dollars) |
| 1. Unlisted domestic stocks (*1)(*2) | 139,205             | 1,240                      |
| 2. Unlisted foreign stocks (*1)(*2)  | 20,604              | 183                        |
| 3. Other foreign securities (*1)(*2) | 436,700             | 3,892                      |
| 4. Other securities (*1)(*2)         | 72,404              | 645                        |
| Total                                | 668,914             | 5,962                      |

(\*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) DL recorded impairment charges of ¥66 million (US\$ 0 million) for the fiscal year ended March 31, 2017.

### 18. Real Estate for Rent

DL 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, 2017 was ¥17,175 million (US\$ 153 million). The rental income was included in investment income and the rental expense was included in investment expenses. DL recorded loss on sale of ¥8,187 million (US\$ 72 million) on rental real estate as extraordinary losses and impairment loss of ¥2,426 million (US\$ 21 million) on rental real estate as extraordinary losses for the fiscal year ended March 31, 2017.

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, 2017 | (Unit: million yen) | (Unit: million US dollars) |
|----------------------------------|---------------------|----------------------------|
| Carrying amount                  |                     |                            |
| Beginning balance                | —                   | —                          |
| Net change during year           | 795,164             | 7,087                      |
| Ending balance                   | 795,164             | 7,087                      |
| Fair value                       | 892,854             | 7,958                      |

(\*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 transfer of real estate from Dai-ichi Life Holdings, Inc. of ¥815,927 million (US\$ 7,272 million), cost of acquisition of the real estate of ¥12,404 million (US\$ 110 million), sale of the real estate of ¥28,778 million (US\$ 256 million), depreciation expense of ¥6,784 million (US\$ 60 million), and impairment loss of ¥2,426 million (US\$ 21 million).

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

### 19. Securities Lending

Securities lent under lending agreements are included in the balance sheet. The total balance of securities lent as of March 31, 2017 was ¥1,807,980 million (US\$ 16,115 million).

### 20. Problem Loans

As of March 31, 2017, the total amount of credits to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans, which was included in loans, was ¥2,703 million (US\$ 24 million).

The amount of credits to bankrupt borrowers was ¥89 million (US\$ 0 million), the amount of delinquent loans was ¥2,608 million (US\$ 23 million), and DL held no amount of loans past due for three months or more, and the amount of restructured loans was ¥5 million (US\$ 0 million).

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 or 4 of the Enforcement Ordinance of the Corporation Tax Act. Interest accruals of such loans are suspended since the principal 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, decreases in credits to bankrupt borrowers and delinquent loans were ¥2 million (US\$ 0 million) and ¥53 million (US\$ 0 million), respectively.

## 21. 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 as of March 31, 2017 was ¥1,096,578 million (US\$ 9,774 million). Separate account liabilities were the same amount as the separate account assets.

## 22. Receivables from and Payables to Subsidiaries and Affiliated Companies

The total amounts of receivables from and payables to subsidiaries and affiliated companies as of March 31, 2017 were ¥1,466 million (US\$ 13 million) and ¥5,316 million (US\$ 47 million), respectively.

## 23. Deferred Tax Accounting

(1) Major components of deferred tax assets and liabilities as of March 31, 2017

|  | (Unit: million yen) | (Unit: million US dollars) |
|--|---------------------|----------------------------|
| Deferred tax assets:                             |                     |                            |
| Policy reserves and others                       | 450,261             | 4,013                      |
| Reserve for employees' retirement benefits       | 130,433             | 1,162                      |
| Reserve for price fluctuations                   | 45,935              | 409                        |
| Impairment losses                                | 11,652              | 103                        |
| Losses on valuation of securities                | 6,489               | 57                         |
| Others   | 23,232              | 207                        |
| Subtotal   | 668,005             | 5,954                      |
| Valuation allowances                             | (13,808)            | (123)                      |
| Total  | 654,196             | 5,831                      |
| Deferred tax liabilities:                        |                     |                            |
| Net unrealized gains on securities, net of tax   | (750,808)           | (6,692)                    |
| Reserve for tax basis adjustments of real estate | (10,272)            | (91)                       |
| Accrued dividend receivables                     | (7,818)             | (69)                       |
| Others   | (15,131)            | (134)                      |
| Total  | (784,030)           | (6,988)                    |
| Net deferred tax liabilities                     | (129,833)           | (1,157)                    |

(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, 2017

|  |         |
|--|---------|
| Statutory tax rate   | 28.16%  |
| (Adjustments)  |         |
| Decrease in valuation allowances                           | (8.53%) |
| Others   | (0.44%) |
| Actual effective tax rate after considering deferred taxes | 19.19%  |

## 24. Contingent Liabilities

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

|                              | (Unit: million yen) | (Unit: million US dollars) |
|------------------------------|---------------------|----------------------------|
| Dai-ichi Life Holdings, Inc. | 450,000             | 4,011                      |

## 25. Changes in Reserve for Policyholder Dividends

Changes in reserve for policyholder dividends were as follows:

|  | (Unit: million yen) | (Unit: million US dollars) |
|--|---------------------|----------------------------|
| Balance at the beginning of the fiscal year      | —                   | —                          |
| Transfer from Dai-ichi Life Holdings, Inc.       | 383,071             | 3,414                      |
| Dividends paid during the fiscal year            | (41,342)            | (368)                      |
| Interest accrual during the fiscal year          | 4,156               | 37                         |
| Provision for reserve for policyholder dividends | 40,000              | 356                        |
| Balance at the end of the fiscal year            | 385,884             | 3,439                      |

## **26. Stock of Subsidiaries and Affiliated Companies**

The amount of stocks of subsidiaries and affiliated companies DL held as of March 31, 2017 was ¥59,073 million (US\$ 526 million).

## **27. Organization Change Surplus**

As of March 31, 2017, the amount of organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million (US\$ 1,049 million).

## **28. Assets Pledged as Collateral / Secured Liabilities**

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

|  | (Unit: million yen) | (Unit: million US dollars) |
|--|---------------------|----------------------------|
| Securities   | 333,839             | 2,975                      |
| Cash and deposits                                      | 86                  | 0                          |
| Securities and cash and deposits pledged as collateral | 333,926             | 2,976                      |

The amounts of secured liabilities were as follows:

|   | (Unit: million yen) | (Unit: million US dollars) |
|---|---------------------|----------------------------|
| Cash collateral for securities lending transactions | 267,871             | 2,387                      |

"Securities" pledged as collateral for securities lending transactions with cash collateral as of March 31, 2017 was ¥241,062 million (US\$ 2,148 million).

## **29. Reinsurance**

As of March 31, 2017, 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 ¥6 million (US\$ 0 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 (US\$ 0 million).

## **30. Net Assets per Share**

The amount of net assets per share of DL as of March 31, 2017 was ¥413,604,802.16 (US\$ 3,686,645).

## **31. Transaction under Common Control**

### (1) Overview of the transaction

#### a) Name and description of the businesses subject to the transaction

Domestic life insurance business

#### b) Date of business combination

October 1, 2016

#### c) Legal form of business combination

Absorption-type corporate split with the parent of DL, Dai-ichi Life Holdings, Inc. (trading name changed from The Dai-ichi Life Insurance Company, Limited on October 1, 2016) as the split company and DL as the successor company

#### d) Name of the company after the combination

The Dai-ichi Life Insurance Company, Limited

#### e) Other matters regarding the overview of the transaction

The parent of DL, Dai-ichi Life Holdings, Inc. has so far made progress in diversifying its business inside and outside of Japan. It developed growth strategies aimed to expand share in the domestic life insurance market while at the same time accelerated the expansion of the overseas life insurance business in order to expand profit contribution from outside Japan as well. By recognizing the challenges under such environment, the shift was made to a holding company structure on October 1, 2016. The Dai-ichi Life group will step up its efforts for sustainable growth through "flexible allocation of business resources within the group," "create a governance structure that contributes to swift business decision-making at subsidiaries," and "implement fundamental reforms to group management."

### (2) Overview of the accounting treatment

The business combination was treated as a transaction under common control pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10).

### 32. Employees' Retirement Benefits

#### (1) Overview of Employees' Retirement Benefit Plan

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

For its administrative personnel, DL 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) | (Unit: million US dollars) |
|--|---------------------|----------------------------|
| a. Beginning balance of the projected benefit obligations                            | —                   | —                          |
| b. Carried over from Dai-ichi Life Holdings, Inc.                                    | 692,315             | 6,170                      |
| c. Service cost  | 14,617              | 130                        |
| d. Interest cost   | 1,040               | 9                          |
| e. Accruals of actuarial (gains) and losses  | 2,235               | 19                         |
| f. Payment of retirement benefits  | (16,495)            | (147)                      |
| g. Others  | 106                 | 0                          |
| h. Ending balance of the projected benefit obligation<br>(a + b + c + d + e + f + g) | 693,819             | 6,184                      |

##### b) Reconciliations of beginning and ending balances of pension assets

|   | (Unit: million yen) | (Unit: million US dollars) |
|---|---------------------|----------------------------|
| a. Beginning balance of pension assets                      | —                   | —                          |
| b. Carried over from Dai-ichi Life Holdings, Inc.           | 264,260             | 2,355                      |
| c. Expected return on assets                                | 187                 | 1                          |
| d. Accruals of actuarial (gains) and losses                 | 17,685              | 157                        |
| e. Contribution from the employer                           | 7,080               | 63                         |
| f. Payment of retirement benefits                           | (3,905)             | (34)                       |
| g. Ending balance of pension assets (a + b + c + d + e + f) | 285,308             | 2,543                      |

##### c) Reconciliations of year-end balance of projected benefit obligations and pension assets, and reserve for employee's retirement benefits that has been recorded in the balance sheet

|  | (Unit: million yen) | (Unit: million US dollars) |
|--|---------------------|----------------------------|
| a. Projected benefit obligation of funded pensions   | 383,234             | 3,415                      |
| b. Pension assets  | (285,308)           | (2,543)                    |
| c. Subtotal (a + b)  | 97,925              | 872                        |
| d. Projected benefit obligation of unfunded pensions                                       | 310,585             | 2,768                      |
| e. Unrecognized actuarial differences  | (27,640)            | (246)                      |
| f. Reserve for employee's retirement benefits recorded<br>in the balance sheet (c + d + e) | 380,870             | 3,394                      |

d) Amount of the components of retirement benefit expenses

|  | (Unit: million yen) | (Unit: million US dollars) |
|--|---------------------|----------------------------|
| a. Service cost  | 14,617              | 130                        |
| b. Interest cost   | 1,040               | 9                          |
| c. Expected return on assets   | (187)               | (1)                        |
| d. Amortization of unrecognized actuarial differences                          | 2,266               | 20                         |
| e. Others  | 299                 | 2                          |
| f. Retirement benefit expenses of defined benefit plans<br>(a + b + c + d + e) | 18,035              | 160                        |

e) The main components of the pension assets

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

|                                |      |
|--------------------------------|------|
| Stocks                         | 58%  |
| Asset under joint management   | 12%  |
| Bonds                          | 9%   |
| Life insurance general account | 8%   |
| Others                         | 13%  |
| Total                          | 100% |

The proportion of retirement benefit trust to total pension assets that has been set for the retirement lump sum grants as of March 31, 2017 was 55%.

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

To determine the expected long-term rate of return on pension assets, DL 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, 2017 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, 2017 is ¥781 million (US\$ 6 million).

### 33. Securities Borrowing

Of securities borrowed under borrowing agreements, the market value of the securities which can be sold or pledged as collateral but were neither sold nor pledged as of March 31, 2017 was ¥37,642 million (US\$ 335 million), among which none of the securities were pledged as collateral.

### 34. Commitment Line

As of March 31, 2017, there were unused commitment line agreements under which DL is the lender of ¥33,002 million (US\$ 294 million).

### 35. Subordinated Debt

As of March 31, 2017, other liabilities included subordinated debt of ¥283,000 million (US\$ 2,522 million), the repayment of which is subordinated to other obligations.

### 36. Subordinated Bonds

As of March 31, 2017, bonds payable included foreign currency-denominated subordinated bonds of ¥476,277 million (US\$ 4,245 million), the repayment of which is subordinated to other obligations.

### 37. Obligations to the Life Insurance Policyholders Protection Corporation of Japan

The estimated future obligations of DL to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act as of March 31, 2017 were ¥49,711 million (US\$ 443 million). These obligations will be recognized as operating expenses in the period in which they are paid.

### III. NOTES TO THE STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2017

#### 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 ¥2,788 million (US\$ 24 million) and ¥11,926 million (US\$ 106 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 ¥60,514 million (US\$ 539 million), ¥26,251 million (US\$ 233 million), ¥23,571 million (US\$ 210 million) and ¥86 million (US\$ 0 million), respectively.

Losses on sale of securities included losses on sale of domestic bonds, domestic stocks, foreign securities and other securities of ¥8,048 million (US\$ 71 million), ¥8,144 million (US\$ 72 million), ¥42,702 million (US\$ 380 million) and ¥969 million (US\$ 8 million), respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥15,244 million (US\$ 135 million) and ¥62 million (US\$ 0 million), respectively.

#### 3. Reinsurance

In calculating the provision for reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of ¥2 million (US\$ 0 million) was subtracted. In calculating the provision for policy reserves, a provision for reserves for policy reserves reinsured of ¥0 million (US\$ 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 ¥3,838 million (US\$ 34 million).

#### 5. Derivative Transaction Gains/Losses

Derivative transaction losses included valuation losses of ¥25,302 million (US\$ 225 million).

#### 6. Net Income per Share

Net income per share for the fiscal year ended March 31, 2017 was ¥10,776,077.48 (US\$ 96,052). 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, 2017 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, DL 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, 2017 were as follows:

| Asset Group            | Place                              | Number | Impairment Losses   |           |       |                            |           |       |
|------------------------|------------------------------------|--------|---------------------|-----------|-------|----------------------------|-----------|-------|
|                        |                                    |        | Land                | Buildings | Total | Land                       | Buildings | Total |
|                        |                                    |        | (Unit: million yen) |           |       | (Unit: million US dollars) |           |       |
| Real estate not in use | Yokohama City, Kanagawa and others | 26     | 1,730               | 708       | 2,438 | 15                         | 6         | 21    |

##### (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 2.41% for the fiscal year ended March 31, 2017 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.

#### IV. NOTES TO THE STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED MARCH 31, 2017

##### 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents in the statement of cash flows consist of the following items contained in the balance sheet: cash and deposits, call loans, commercial paper included in monetary claims bought, money market funds included in securities, and overdrafts included in long-term debt and other borrowings.

##### 2. Reconciliation of cash and cash equivalents to balance sheet accounts was as follows:

|                           | As of March 31,     |                            |
|---------------------------|---------------------|----------------------------|
|                           | 2017                | 2017                       |
|                           | (Unit: million yen) | (Unit: million US dollars) |
| Cash and deposits         | 438,454             | 3,908                      |
| Call loans                | 98,500              | 877                        |
| Cash and cash equivalents | 536,954             | 4,786                      |

## V. NOTES TO THE STATEMENT OF CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED MARCH 31, 2017

### 1. Type and 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 | 10                                  | 5,990                           | –                               | 6,000                         |

(\*) Due to the transition to a holding company structure on October 1, 2016, Dai-ichi Life Holdings, Inc. (trading name changed from The Dai-ichi Life Insurance Company, Limited on October 1, 2016) split the domestic life insurance business to DL. As a result, outstanding share of common stock increased by 5,990 and the number of outstanding shares as of March 31, 2017 was 6,000.

### 2. Dividends on Common Stock

Dividends, the record date of which was March 31, 2017, to be paid out in the year ending March 31, 2018

|                     |   |
|---------------------|---|
| Date of resolution  | June 21, 2017 (at the Annual General Meeting of Shareholders) |
| Type of shares      | Common stock  |
| Total dividends     | ¥29,972 million (US\$ 267 million)                            |
| Dividends per share | ¥4,995,400 (US\$ 44,526)                                      |
| Record date         | March 31, 2017  |
| Effective date      | June 22, 2017   |
| Dividend resource   | Retained earnings   |



# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

## Independent Auditor's Report

The Board of Directors  
The Dai-ichi Life Insurance Company, Limited

We have audited the accompanying non-consolidated financial statements of The Dai-ichi Life Insurance Company, Limited (formerly The Dai-ichi Life Split Preparation Company, Limited), which comprise the non-consolidated balance sheet as of March 31, 2017, and the non-consolidated statements of earnings, cash flows, and changes in net assets for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Non-consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with the Insurance Business Act and related rules and regulations and accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. The purpose of an audit of the non-consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Dai-ichi Life Insurance Company, Limited (formerly The Dai-ichi Life Split Preparation Company, Limited) as of March 31, 2017, and its non-consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of its non-consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying non-consolidated financial statements have been properly translated on the basis described in Note I.

*Ernst & Young ShinNihon LLC*

May 31, 2017

## (Reference) The Dai-ichi Life Insurance Company, Limited business results comparable with the previous fiscal year

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 section are defined below.

### <Figures Presented>

- Ending balance of a given fiscal year

For fiscal year 2016 (current fiscal year), current Dai-ichi Life figures are presented. For fiscal year 2015 (previous fiscal year), former Dai-ichi Life figures are presented.

|                  | Figures Presented                                  |
|------------------|--|
| Fiscal year 2016 | Current Dai-ichi Life figures as of March 31, 2017 |
| Fiscal year 2015 | Former Dai-ichi Life figures                       |

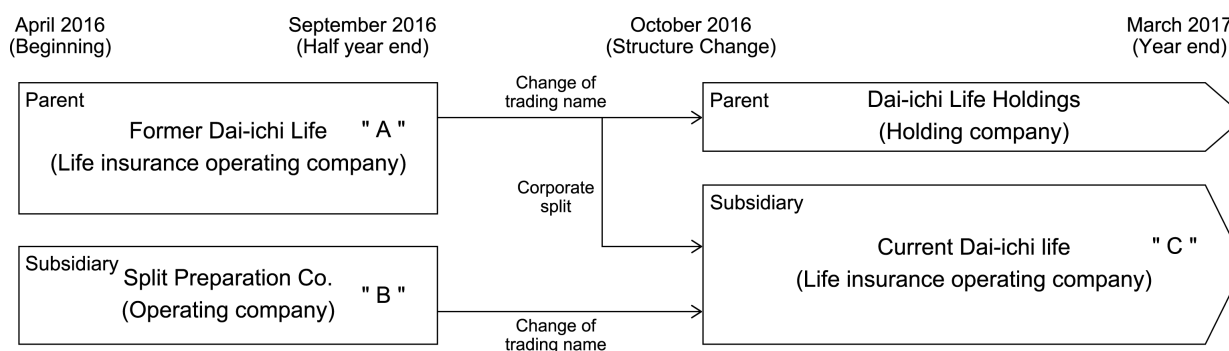
- Profit/loss etc. for a given period

For fiscal year 2016 (current 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 between October, 2016 to March, 2017 are presented.

For fiscal year 2015 (previous fiscal year), former Dai-ichi Life results are presented.

|                  | Figures Presented   |
|------------------|---|
| 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] |
| Fiscal year 2015 | Former Dai-ichi Life results  |

- (Notes)
- [A+B+C] is presented for reference and differs from statutory disclosure.
  - The sum of Dai-ichi Life Split Preparation Company and Current Dai-ichi Life results [B+C] are presented for Statement of Earnings in accordance with statutory disclosure standards.



# Unaudited Balance Sheet

(Unit: million yen)

|   | As of<br>March 31,<br>2016 | As of<br>March 31,<br>2017 |   | As of<br>March 31,<br>2016 | As of<br>March 31,<br>2017 |
|---|----------------------------|----------------------------|---|----------------------------|----------------------------|
| (ASSETS)  |                            |                            | (LIABILITIES)   |                            |                            |
| Cash and deposits                                     | 528,337                    | 438,454                    | Policy reserves and others  | 30,635,217                 | 30,864,753                 |
| Cash  | 196                        | 166                        | Reserves for outstanding claims   | 260,304                    | 229,698                    |
| Bank deposits   | 528,140                    | 438,287                    | Policy reserves   | 29,984,210                 | 30,249,170                 |
| Call loans  | 116,900                    | 98,500                     | Reserve for policyholder dividends  | 390,701                    | 385,884                    |
| Monetary claims bought                                | 233,206                    | 192,213                    | Reinsurance payable   | 684                        | 741                        |
| Money held in trust                                   | 52,806                     | 50,191                     | Subordinated bonds  | 215,727                    | 476,277                    |
| Securities  | 30,250,119                 | 30,498,102                 | Other liabilities   | 1,095,099                  | 1,004,764                  |
| Government bonds                                      | 14,545,593                 | 14,084,907                 | Collateral for securities lending transactions  | 473,284                    | 267,871                    |
| Local government bonds                                | 125,047                    | 109,098                    | Long-term debt and other borrowings   | 286,277                    | 283,000                    |
| Corporate bonds                                       | 1,910,798                  | 2,023,985                  | Corporate income tax payable  | 28,307                     | 9,967                      |
| Stocks  | 3,560,485                  | 3,666,952                  | Accounts payable  | 77,232                     | 43,804                     |
| Foreign securities                                    | 9,451,844                  | 9,868,430                  | Accrued expenses  | 48,456                     | 48,088                     |
| Other securities                                      | 656,349                    | 744,727                    | Unearned revenue  | 728                        | 684                        |
| Loans   | 2,826,052                  | 2,657,852                  | Deposits received   | 53,528                     | 55,287                     |
| Policy loans  | 405,056                    | 381,830                    | Guarantee deposits received   | 51,110                     | 50,260                     |
| Ordinary loans  | 2,420,995                  | 2,276,021                  | Derivatives   | 60,808                     | 231,126                    |
| Tangible fixed assets                                 | 1,164,183                  | 1,124,412                  | Collateral for financial instruments  | —                          | 2,848                      |
| Land  | 792,101                    | 772,021                    | Lease liabilities   | 4,393                      | 4,956                      |
| Buildings   | 363,038                    | 343,658                    | Asset retirement obligations  | 2,675                      | 2,674                      |
| Leased assets   | 4,491                      | 4,923                      | Suspense receipt  | 7,695                      | 1,473                      |
| Construction in progress                              | 2,402                      | 691                        | Other liabilities   | 601                        | 2,720                      |
| Other tangible fixed assets                           | 2,149                      | 3,117                      | Reserve for employees' retirement benefits  | 377,967                    | 380,870                    |
| Intangible fixed assets                               | 81,603                     | 87,793                     | Reserve for retirement benefits of directors, executive officers and corporate auditors | 1,868                      | 1,498                      |
| Software  | 59,516                     | 65,228                     | Reserve for possible reimbursement of prescribed claims                                 | 800                        | 800                        |
| Other intangible fixed assets                         | 22,086                     | 22,564                     | Reserve for price fluctuations  | 148,453                    | 164,453                    |
| Reinsurance receivable                                | 4,434                      | 2,260                      | Deferred tax liabilities  | 138,696                    | 129,833                    |
| Other assets  | 541,917                    | 434,994                    | Deferred tax liabilities for land revaluation   | 80,189                     | 77,236                     |
| Accounts receivable                                   | 75,541                     | 51,700                     | Acceptances and guarantees  | 97,056                     | 103,786                    |
| Prepaid expenses                                      | 12,019                     | 11,114                     | <b>Total liabilities</b>  | <b>32,791,760</b>          | <b>33,205,016</b>          |
| Accrued revenue                                       | 155,664                    | 156,736                    | (NET ASSETS)  |                            |                            |
| Deposits  | 40,545                     | 41,368                     | Capital stock   | 343,146                    | 60,000                     |
| Margin money for futures trading                      | 57,785                     | 65,173                     | Capital surplus   | 343,772                    | 470,000                    |
| Differential account for futures trading              | 47                         | 12                         | Legal capital surplus   | 343,146                    | 60,000                     |
| Derivatives   | 179,189                    | 73,403                     | Other capital surplus   | 625                        | 410,000                    |
| Suspense payment                                      | 9,536                      | 4,865                      | Retained earnings   | 511,892                    | 31,230                     |
| Other assets  | 11,586                     | 30,618                     | Legal retained earnings   | 5,600                      | —                          |
| Customers' liabilities for acceptances and guarantees | 97,056                     | 103,786                    | Other retained earnings   | 506,292                    | 31,230                     |
| Reserve for possible loan losses                      | (1,237)                    | (1,472)                    | Fund for risk allowance   | 43,120                     | —                          |
| Reserve for possible investment losses                | (423)                      | (444)                      | Fund for price fluctuation allowance  | 65,000                     | —                          |
|   |                            |                            | Reserve for tax basis adjustments of real estate  | 25,517                     | 1,257                      |
|   |                            |                            | Retained earnings brought forward   | 372,655                    | 29,972                     |
|   |                            |                            | Treasury stock  | (23,231)                   | —                          |
|   |                            |                            | Total shareholders' equity  | 1,175,581                  | 561,230                    |
|   |                            |                            | Net unrealized gains (losses) on securities, net of tax                                 | 1,946,957                  | 1,963,267                  |
|   |                            |                            | Deferred hedge gains (losses)   | (3,865)                    | (25,327)                   |
|   |                            |                            | Reserve for land revaluation  | (16,402)                   | (17,541)                   |
|   |                            |                            | Total of valuation and translation adjustments  | 1,926,688                  | 1,920,398                  |
|   |                            |                            | Subscription rights to shares   | 925                        | —                          |
|   |                            |                            | <b>Total net assets</b>   | <b>3,103,195</b>           | <b>2,481,628</b>           |
| <b>Total assets</b>                                   | <b>35,894,956</b>          | <b>35,686,645</b>          | <b>Total liabilities and net assets</b>   | <b>35,894,956</b>          | <b>35,686,645</b>          |

# Unaudited Statement of Earnings

(Unit: million yen)

|  | Year ended<br>March 31, 2016 | Year ended<br>March 31, 2017 *1 | Year ended<br>March 31, 2017 *2 |
|--|------------------------------|---------------------------------|---------------------------------|
| <b>ORDINARY REVENUES</b>                                 | <b>4,265,779</b>             | <b>3,946,774</b>                | <b>1,976,814</b>                |
| Premium and other income                                 | 2,866,602                    | 2,547,581                       | 1,233,330                       |
| Premium income   | 2,865,384                    | 2,546,708                       | 1,232,824                       |
| Reinsurance income                                       | 1,218                        | 873                             | 505                             |
| Investment income  | 1,060,017                    | 1,072,049                       | 593,797                         |
| Interest and dividends                                   | 802,203                      | 773,506                         | 396,642                         |
| Interest from bank deposits                              | 11,213                       | 7,416                           | 3,280                           |
| Interest and dividends from securities                   | 647,317                      | 628,036                         | 324,755                         |
| Interest from loans                                      | 62,387                       | 56,405                          | 27,584                          |
| Rental income  | 69,545                       | 70,696                          | 35,676                          |
| Other interest and dividends                             | 11,738                       | 10,951                          | 5,345                           |
| Gains on money held in trust                             | —                            | 4,207                           | 4,018                           |
| Gains on sale of securities                              | 211,921                      | 200,059                         | 110,423                         |
| Gains on redemption of securities                        | 44,645                       | 38,258                          | 17,445                          |
| Reversal of reserve for possible loan losses             | 838                          | —                               | —                               |
| Other investment income                                  | 409                          | 1,231                           | 674                             |
| Gains on investments in separate accounts                | —                            | 54,786                          | 64,592                          |
| Other ordinary revenues                                  | 339,158                      | 327,143                         | 149,686                         |
| Fund receipt for annuity rider of group insurance        | 708                          | 655                             | 313                             |
| Fund receipt for claim deposit payment                   | 301,478                      | 270,929                         | 137,930                         |
| Reversal of reserves for outstanding claims              | —                            | 30,606                          | —                               |
| Reversal of reserve for employees' retirement benefits   | 11,931                       | —                               | 1,934                           |
| Other ordinary revenues                                  | 25,039                       | 24,952                          | 9,508                           |
| <b>ORDINARY EXPENSES</b>                                 | <b>3,921,556</b>             | <b>3,664,964</b>                | <b>1,877,646</b>                |
| Benefits and claims                                      | 2,681,396                    | 2,327,502                       | 1,182,154                       |
| Claims   | 709,000                      | 773,749                         | 385,341                         |
| Annuities  | 592,255                      | 535,014                         | 291,580                         |
| Benefits   | 381,741                      | 361,388                         | 175,674                         |
| Surrender values   | 584,186                      | 507,647                         | 247,083                         |
| Other refunds  | 412,606                      | 147,966                         | 81,528                          |
| Ceding reinsurance commissions                           | 1,604                        | 1,737                           | 947                             |
| Provision for policy reserves and others                 | 209,103                      | 273,344                         | 119,799                         |
| Provision for reserves for outstanding claims            | 57,227                       | —                               | 7,814                           |
| Provision for policy reserves                            | 143,236                      | 264,959                         | 107,827                         |
| Provision for interest on policyholder dividends         | 8,639                        | 8,384                           | 4,156                           |
| Investment expenses                                      | 273,985                      | 286,301                         | 203,865                         |
| Interest expenses  | 15,242                       | 12,995                          | 6,838                           |
| Losses on money held in trust                            | 791                          | —                               | —                               |
| Losses on sale of securities                             | 62,457                       | 91,167                          | 59,864                          |
| Losses on valuation of securities                        | 873                          | 24,814                          | 15,307                          |
| Losses on redemption of securities                       | 1,201                        | 2,610                           | 857                             |
| Derivative transaction losses                            | 54,120                       | 14,750                          | 52,851                          |
| Foreign exchange losses                                  | 53,872                       | 81,093                          | 37,506                          |
| Provision for reserve for possible loan losses           | —                            | 248                             | 349                             |
| Provision for reserve for possible investment losses     | 423                          | 21                              | 10                              |
| Write-down of loans                                      | 59                           | 41                              | 21                              |
| Depreciation of real estate for rent and others          | 14,165                       | 13,765                          | 6,788                           |
| Other investment expenses                                | 39,209                       | 44,794                          | 23,470                          |
| Losses on investments in separate accounts               | 31,568                       | —                               | —                               |
| Operating expenses                                       | 404,114                      | 422,089                         | 213,205                         |
| Other ordinary expenses                                  | 352,956                      | 355,726                         | 158,622                         |
| Claim deposit payments                                   | 281,561                      | 278,833                         | 120,274                         |
| National and local taxes                                 | 28,411                       | 33,160                          | 18,666                          |
| Depreciation   | 32,770                       | 30,892                          | 15,151                          |
| Provision for reserve for employees' retirement benefits | —                            | 2,603                           | —                               |
| Other ordinary expenses                                  | 10,213                       | 10,235                          | 4,529                           |
| <b>ORDINARY PROFIT</b>                                   | <b>344,222</b>               | <b>281,810</b>                  | <b>99,167</b>                   |
| <b>EXTRAORDINARY GAINS</b>                               | <b>286</b>                   | <b>4,976</b>                    | <b>508</b>                      |
| Gains on disposal of fixed assets                        | 286                          | 4,976                           | 508                             |
| <b>EXTRAORDINARY LOSSES</b>                              | <b>52,274</b>                | <b>43,934</b>                   | <b>19,605</b>                   |
| Losses on disposal of fixed assets                       | 1,307                        | 13,892                          | 8,866                           |
| Impairment losses on fixed assets                        | 34,548                       | 13,742                          | 2,438                           |
| Provision for reserve for price fluctuations             | 16,000                       | 16,000                          | 8,000                           |
| Other extraordinary losses                               | 418                          | 299                             | 299                             |
| Provision for reserve for policyholder dividends         | 97,500                       | 85,000                          | 40,000                          |
| Income before income taxes                               | 194,734                      | 157,851                         | 40,071                          |
| Corporate income taxes-current                           | 95,850                       | 58,707                          | 26,982                          |
| Corporate income taxes-deferred                          | (30,238)                     | (18,047)                        | (19,292)                        |
| Total of corporate income taxes                          | 65,611                       | 40,660                          | 7,689                           |
| Net income   | 129,123                      | 117,191                         | 32,382                          |

\*1: The figures are the sum of "former Dai-ichi Life", the "Split Preparation Company", and "current Dai-ichi Life" results. [A+B+C]

\*2: The figures are the sum of the "Split Preparation Company" and "current Dai-ichi Life" results. [B+C]

Please refer to the page titled "(Reference) The Dai-ichi Life Insurance Company, Limited business results comparable with the previous fiscal year" for details.

# Unaudited Statement of Changes in Net Assets

Year ended March 31, 2016

(Unit: million yen)

|   | Shareholders' equity |                       |                       |                       |                         |                         |                                      |  |                                   |
|---|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|--------------------------------------|--|-----------------------------------|
|   | Capital stock        | Capital surplus       |                       |                       | Retained earnings       |                         |                                      |  |                                   |
|   |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings |                                      |  |                                   |
|   |                      |                       |                       |                       |                         | Fund for risk allowance | Fund for price fluctuation allowance | Reserve for tax basis adjustments of real estate | Retained earnings brought forward |
| Balance at the beginning of the year  | 343,104              | 343,104               | 151                   | 343,255               | 5,600                   | 43,120                  | 65,000                               | 24,875   | 292,143                           |
| Changes for the year  |                      |                       |                       |                       |                         |                         |                                      |  |                                   |
| Issuance of new shares - exercise of subscription rights to shares                              | 42                   | 42                    |                       | 42                    |                         |                         |                                      |  |                                   |
| Dividends   |                      |                       |                       | –                     |                         |                         |                                      |  | (33,359)                          |
| Net income  |                      |                       |                       | –                     |                         |                         |                                      |  | 129,123                           |
| Purchase of treasury stock  |                      |                       |                       | –                     |                         |                         |                                      |  |                                   |
| Disposal of treasury stock  |                      |                       | 474                   | 474                   |                         |                         |                                      |  |                                   |
| Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate |                      |                       |                       | –                     |                         |                         |                                      | 297  | (297)                             |
| Transfer to reserve for tax basis adjustments of real estate                                    |                      |                       |                       | –                     |                         |                         |                                      | 470  | (470)                             |
| Transfer from reserve for tax basis adjustments of real estate                                  |                      |                       |                       | –                     |                         |                         |                                      | (126)  | 126                               |
| Transfer from reserve for land revaluation  |                      |                       |                       | –                     |                         |                         |                                      |  | (14,609)                          |
| Net changes of items other than shareholders' equity  |                      |                       |                       |                       |                         |                         |                                      |  |                                   |
| Total changes for the year  | 42                   | 42                    | 474                   | 517                   | –                       | –                       | –                                    | 641  | 80,512                            |
| Balance at the end of the year  | 343,146              | 343,146               | 625                   | 343,772               | 5,600                   | 43,120                  | 65,000                               | 25,517   | 372,655                           |

(Unit: million yen)

|   | Shareholders' equity    |                |                            | Valuation and translation adjustments                   |                               |                              |  | Subscription rights to shares | Total net assets |
|---|-------------------------|----------------|----------------------------|---|-------------------------------|------------------------------|--|-------------------------------|------------------|
|   | Retained earnings       | Treasury stock | 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  | 430,738                 | (9,723)        | 1,107,375                  | 2,488,665   | (12,036)                      | (33,424)                     | 2,443,204                                      | 753                           | 3,551,333        |
| Changes for the year  |                         |                |                            |   |                               |                              |  |                               |                  |
| Issuance of new shares - exercise of subscription rights to shares                              | —                       |                | 84                         |   |                               |                              |  |                               | 84               |
| Dividends   | (33,359)                |                | (33,359)                   |   |                               |                              |  |                               | (33,359)         |
| Net income  | 129,123                 |                | 129,123                    |   |                               |                              |  |                               | 129,123          |
| Purchase of treasury stock  | —                       | (15,000)       | (15,000)                   |   |                               |                              |  |                               | (15,000)         |
| Disposal of treasury stock  | —                       | 1,492          | 1,967                      |   |                               |                              |  |                               | 1,967            |
| Increase in reserve for tax basis adjustments of real estate resulting from changes in tax rate | —                       |                | —                          |   |                               |                              |  |                               | —                |
| Transfer to reserve for tax basis adjustments of real estate                                    | —                       |                | —                          |   |                               |                              |  |                               | —                |
| Transfer from reserve for tax basis adjustments of real estate                                  | —                       |                | —                          |   |                               |                              |  |                               | —                |
| Transfer from reserve for land revaluation  | (14,609)                |                | (14,609)                   |   |                               |                              |  |                               | (14,609)         |
| Net changes of items other than shareholders' equity  |                         |                |                            | (541,708)   | 8,170                         | 17,021                       | (516,516)                                      | 171                           | (516,344)        |
| Total changes for the year  | 81,153                  | (13,507)       | 68,206                     | (541,708)   | 8,170                         | 17,021                       | (516,516)                                      | 171                           | (448,138)        |
| Balance at the end of the year  | 511,892                 | (23,231)       | 1,175,581                  | 1,946,957   | (3,865)                       | (16,402)                     | 1,926,688                                      | 925                           | 3,103,195        |

# Unaudited Statement of Changes in Net Assets (Continued)

Year ended March 31, 2017

(Unit: million 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                            |

(Unit: million 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        |

## REFERENCE INFORMATION

The figures below are the sum of former Dai-ichi Life, the Split Preparation Company, and current Dai-ichi Life [A+B+C].

Please refer to the page titled "(Reference) The Dai-ichi Life Insurance Company, Limited business results comparable with the previous fiscal year" for details.

### I . NOTES TO THE UNAUDITED BALANCE SHEET AS OF MARCH 31, 2017

#### 1. Real Estate for Rent

DL 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, 2017, was ¥31,572 million. The rental income was included in investment income and the rental expense was included in investment expenses. DL recorded loss on sale of ¥(8,593) million on rental real estate as extraordinary loss and impairment loss of ¥5,167 million on rental real estate for rent as extraordinary losses for the fiscal year ended March 31, 2017.

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

| Fiscal year ended March 31, 2017 | (Unit: million yen) |
|----------------------------------|---------------------|
| Carrying amount                  |                     |
| Beginning balance                | 807,289             |
| Net change during year           | (12,124)            |
| Ending balance                   | 795,164             |
| Fair value                       | 892,854             |

(\*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 ¥33,544 million, sale of the real estate of ¥35,424 million, depreciation expense of ¥13,758 million, and impairment loss of ¥5,167 million.

(\*3) DL 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.

#### 2. 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      | 390,701             |
| Dividend paid during the fiscal year             | (98,201)            |
| Interest accrual during the fiscal year          | 8,384               |
| Provision for reserve for policyholder dividends | 85,000              |
| Balance the end of the fiscal year               | 385,884             |

### 3. Employees' Retirement Benefits

#### (1) Overview of Employees' Retirement Benefit Plan

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

For its administrative personnel, DL 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                        | 694,154  |
| b. Service cost  | 28,941   |
| c. Interest cost   | 2,080    |
| d. Accruals of actuarial (gains) and losses                                      | 2,235    |
| e. Payment of retirement benefits  | (32,402) |
| f. Others  | (1,188)  |
| g. Ending balance of the projected benefit obligation<br>(a + b + c + d + e + f) | 693,819  |

##### b) Reconciliations of beginning and ending balances of pension assets

(Unit: million yen)

|   |         |
|---|---------|
| a. Beginning balance of pension assets                  | 268,370 |
| b. Estimated return on assets                           | 374     |
| c. Accruals of actuarial (gains) and losses             | 17,685  |
| d. Contribution from the employer                       | 7,080   |
| e. Payment of retirement benefits                       | (8,202) |
| f. Ending balance of pension assets (a + b + c + d + e) | 285,308 |

##### 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                           | 383,234   |
| b. Pension assets   | (285,308) |
| c. Subtotal (a + b)   | 97,925    |
| d. Projected benefit obligation for unfunded pensions                         | 310,585   |
| e. Unrecognized actuarial differences   | (27,640)  |
| f. Net of assets and liabilities recorded in the balance sheet<br>(c + d + e) | 380,870   |

##### d) Amount of the components of retirement benefit expenses

(Unit: million yen)

|   |        |
|---|--------|
| a. Service cost   | 28,941 |
| b. Interest cost  | 2,080  |
| c. Expected return on assets  | (374)  |
| d. Amortization of unrecognized actuarial differences                           | 4,533  |
| e. Others   | 299    |
| f. Retirement benefit expenses for defined benefit plans<br>(a + b + c + d + e) | 35,479 |



e) Pension assets

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

|                                |      |
|--------------------------------|------|
| Stocks                         | 58%  |
| Asset under joint management   | 12%  |
| Bonds                          | 9%   |
| Life insurance general account | 8%   |
| Others                         | 13%  |
| Total                          | 100% |

The proportion of retirement benefit trust to total pension assets that has been set for the retirement lump sum grants as of March 31, 2017 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, DL 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, 2017 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, 2017 is ¥1,573 million.

## II. NOTES TO THE UNAUDITED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2017

### 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 ¥12,849 million and ¥22,861 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 ¥108,873 million, ¥29,609 million, ¥60,701 million and ¥874 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥8,311 million, ¥12,105 million, ¥68,907 million and ¥1,842 million, respectively.

Losses on valuation of securities included losses on valuation of domestic bonds, domestic stocks and foreign securities of ¥589 million, ¥15,587 million and ¥8,637 million, respectively.

### 3. Reinsurance

In calculating the reversal of reserves for outstanding claims, a provision for reserves for outstanding claims reinsured of ¥1 million was added. 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 ¥2,121 million.

### 5. Derivative Transaction Gains/Losses

Derivative transaction losses included valuation losses of ¥2,555 million.

### 6. Impairment Losses on Fixed Assets

Details of impairment losses on fixed assets for the fiscal year ended March 31, 2017 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, DL 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, 2017 were as follows:

| Asset Group            | Place                                 | Number | Impairment Losses |           |        |
|------------------------|---------------------------------------|--------|-------------------|-----------|--------|
|                        |                                       |        | Land              | Buildings | Total  |
| (Unit: million yen)    |                                       |        |                   |           |        |
| Real estate not in use | Yokohama City,<br>Kanagawa and others | 135    | 8,622             | 5,119     | 13,742 |

#### (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 2.41% for the fiscal year ended March 31, 2017 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.

# Solvency Margin Ratio

(1) Dai-ichi Life Holdings, Inc.  
Consolidated Solvency Margin Ratio

(Unit: million yen)

|   | As of March 31, 2016 | As of March 31, 2017 |
|---|----------------------|----------------------|
| Total solvency margin (A)   | 6,037,031            | 6,374,047            |
| Common stock, etc. (*1)   | 763,044              | 909,692              |
| Reserve for price fluctuations  | 155,246              | 174,677              |
| Contingency reserve   | 691,167              | 709,561              |
| Catastrophe loss reserve  | —                    | —                    |
| General reserve for possible loan losses  | 495                  | 743                  |
| (Net unrealized gains (losses) on securities (before tax) and deferred hedge gains (losses) (before tax) ) × 90% (*2) | 2,270,855            | 2,362,536            |
| Net unrealized gains (losses) on real estate × 85% (*2)   | 82,189               | 113,883              |
| Sum of unrecognized actuarial differences and unrecognized past service cost  | (46,579)             | (27,389)             |
| Policy reserves in excess of surrender values   | 2,121,848            | 2,226,914            |
| Qualifying subordinated debt  | 498,727              | 759,277              |
| Excluded portion of policy reserves in excess of surrender values and qualifying subordinated debt                    | (521,349)            | (708,484)            |
| Excluded items  | (177,962)            | (171,860)            |
| Others  | 199,348              | 24,495               |
| Total risk $\sqrt{(\sqrt{R_1^2+R_5^2+R_6^2+R_8^2+R_9^2}+R_2+R_3+R_7)^2+R_4^2}$ (B)                                    | 1,580,596            | 1,701,499            |
| Insurance risk $R_1$  | 122,410              | 122,026              |
| General insurance risk $R_5$  | 5,006                | 4,904                |
| Catastrophe risk $R_6$  | 1,844                | 2,038                |
| 3rd sector insurance risk $R_8$   | 186,234              | 192,012              |
| Small amount and short-term insurance risk $R_9$  | —                    | —                    |
| Assumed investment yield risk $R_2$   | 262,581              | 255,068              |
| Guaranteed minimum benefit risk $R_7$ (*3)  | 87,783               | 84,459               |
| Investment risk $R_3$   | 1,160,636            | 1,290,918            |
| Business risk $R_4$   | 36,529               | 39,028               |
| Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$   | 763.8%               | 749.2%               |

\*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 as of March 31, 2016 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. The above figures as of March 31, 2017 are calculated based on Article 210-11-3 and 210-11-4 of the Enforcement Regulations of Insurance Business Act, and Notification of the Financial Services Agency No. 23, 2011.

## (2) The Dai-ichi Life Insurance Company, Limited

### Solvency Margin Ratio

(Unit: million yen)

|  | As of March 31, 2016 | As of March 31, 2017 |
|--|----------------------|----------------------|
| Total solvency margin (A)  | 6,741,736            | 5,936,832            |
| Total risk (B)   | 1,496,746            | 1,396,021            |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$ | 900.8%               | 850.5%               |

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.

### Consolidated Solvency Margin Ratio

(Unit: million yen)

|  | As of March 31, 2016 | As of March 31, 2017 |
|--|----------------------|----------------------|
| Total solvency margin (A)  | —                    | 5,858,298            |
| Total risk (B)   | —                    | 1,379,562            |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$ | —                    | 849.2%               |

Note: 1. 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.

2. Following the transition to a holding company structure in October 2016, non-consolidated subsidiaries, etc. of current Dai-ichi Life are included in the calculation of consolidated solvency margin ratio.

## (3) The Dai-ichi Frontier Life Insurance Co., Ltd.

### Solvency Margin Ratio

(Unit: million yen)

|  | As of March 31, 2016 | As of March 31, 2017 |
|--|----------------------|----------------------|
| Total solvency margin (A)  | 348,758              | 421,078              |
| Total risk (B)   | 133,391              | 146,034              |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$ | 522.9%               | 576.6%               |

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.

## (4) The Neo First Life Insurance Company, Limited

### Solvency Margin Ratio

(Unit: million yen)

|  | As of March 31, 2016 | As of March 31, 2017 |
|--|----------------------|----------------------|
| Total solvency margin (A)  | 27,795               | 21,919               |
| Total risk (B)   | 557                  | 574                  |
| Solvency margin ratio<br>$\frac{(A)}{(1/2) \times (B)} \times 100$ | 9,969.9%             | 7,636.9%             |

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.