Note: This Convocation Notice is a translation of the Japanese language original for convenience purposes only, and in the event of any discrepancy, the Japanese language original shall prevail.

# Disclosures on the Company's website with the Convocation Notice of the Annual General Meeting of Shareholders for the 6th Fiscal Year

**Matters regarding Stock Acquisition Rights, etc.**
**System for Ensuring Appropriate Operations**
**Consolidated Statement of Changes in Net Assets**
**Notes to Consolidated Financial Statements**
**Statement of Changes in Net Assets**
**Notes to Financial Statements**
(from April 1, 2015 to March 31, 2016)

## The Dai-ichi Life Insurance Company, Limited

The matters mentioned above are posted on the Company's website (http://www.dai-ichi-life.co.jp/investor/share/meeting/index.html) pursuant to the provisions of laws and regulations, and the provisions under Article 20 of the Articles of Incorporation of the Company.

**Stock Acquisition Rights, etc.**

**(1) Stock Acquisition Rights, etc. of the Insurance Company Held by the Directors and Audit and Supervisory Board Members of the Insurance Company at the Current Fiscal Year-End**

| Classification | Series | Number of stock acquisition rights (payment amount per share) | Class and number of shares to be issued upon exercise | Value of assets to be contributed upon exercise | Exercise period | Number of holders |
|---|---|---|---|---|---|---|
| Directors (excluding Outside Directors) | 1st Series of Stock Acquisition Rights Issued in August 2011 | 736 (¥88,521) | 73,600 shares of common stock (100 shares per stock acquisition right) | ¥1 per share | From August 17, 2011 to August 16, 2041 | 10 persons |
| | 2nd Series of Stock Acquisition Rights Issued in August 2012 | 1,362 (¥76,638) | 136,200 shares of common stock (100 shares per stock acquisition right) | | From August 17, 2012 to August 16, 2042 | 10 persons |
| | 3rd Series of Stock Acquisition Rights Issued in August 2013 | 823 (¥130,030) | 82,300 shares of common stock (100 shares per stock acquisition right) | | From August 17, 2013 to August 16, 2043 | 10 persons |
| | 4th Series of Stock Acquisition Rights Issued in August 2014 | 812 (¥136,600) | 81,200 shares of common stock (100 shares per stock acquisition right) | | From August 19, 2014 to August 18, 2044 | 10 persons |
| | 5th Series of Stock Acquisition Rights Issued in August 2015 | 535 (¥231,800) | 53,500 shares of common stock (100 shares per stock acquisition right) | | From August 18, 2015 to August 17, 2045 | 11 persons |
| Outside Directors | - | - | - | - | - | - |
| Audit and Supervisory Board Members | - | - | - | - | - | - |

(Note) A person to whom stock acquisition rights are allotted ("Allottee") may exercise stock acquisition rights only within 10 days from the day immediately following the date on which he/she loses the status as both a director and an executive officer of the Company. Upon the death of an Allottee, the heir(s) of such Allottee may succeed to and exercise any stock acquisition rights which have not been exercised as of the date of occurrence of any event constituting grounds for inheritance. However, matters such as conditions for the exercise of stock acquisition rights and the procedure for such exercise will be in accordance with the provisions of the stock acquisition right allotment agreement executed between the Company and each Allottee pursuant to any relevant resolution of the board of directors of the Company. Each Allottee must collectively exercise all of the stock acquisition rights allotted to the Allottee (or, if the Allottee has relinquished any stock acquisition right, then the stock acquisition rights remaining after such relinquishment) and may not exercise only a part thereof. An Allottee may not partly exercise any single stock acquisition right.

### (2) Stock Acquisition Rights, etc. of the Insurance Company Allotted to Employees during the Current Fiscal Year

| Classification | Series | Number of stock acquisition rights (Payment amount per share) | Class and number of shares to be issued upon exercise | Value of assets to be contributed upon exercise | Exercise period | Number of holders |
|---|---|---|---|---|---|---|
| Employees (Executive Officers) | 5th Series of Stock Acquisition Rights Issued in August 2015 | 571 (¥231,800) | 57,100 shares of common stock (100 shares per stock acquisition right) | ¥1 per share | From August 18, 2015 to August 17, 2045 | 18 persons |
| Directors and employees at subsidiaries, etc. | - | - | - | - | - | - |

(Note) The principal conditions for the exercise of stock acquisition rights are the same as "(1) Stock Acquisition Rights, etc. of the Insurance Company Held by the Directors and Audit and Supervisory Board Members of the Insurance Company at the Current Fiscal Year-End."

## System for Ensuring Appropriate Operations

As a step to develop the Company's system for ensuring appropriate operations, the Board of Directors adopted a resolution to institute the Basic Internal Control Policy, a summary of which is given below.

This Basic Policy shall be reviewed each year, and was revised and amended on April 1, 2016 pursuant to the revision of the Companies Act.

### Basic Internal Control Policy (Summary)

1. Purpose and Basic Concept

The Company aims to maximize customer satisfaction, secure social trust, create sustainable corporate value, and invigorate employees and organization as its basic management policy.

This Basic Policy aims to ensure the appropriate operations of the corporate group that comprises the Company, its subsidiary etc. and maintain and create corporate value in an effort to realize the basic management policy by establishing basic matters related to the development and management of the internal control structure, thereby contributing to the fulfillment of the Company's social responsibilities as a life insurance company. To those ends, this Basic Policy stipulates provisions on the development and management of structures related to the items described below.

(1) Conduct business activities in compliance with laws and regulations, the Articles of Incorporation, social standards, and rules in the market

The Company recognizes that compliance with laws and regulations, the Articles of Incorporation and other rules and following social norms and market rules (hereinafter "Compliance") are the major premises in carrying out its business activities, and it shall promote Compliance in its insurance sales, asset management and all other business activities to fulfill its social responsibilities and public mission as a life insurance company

(2) Ensure insurance sales compliance with laws and regulations, etc. and conduct appropriate insurance sales management

The Company shall promote the development of the structure of insurance solicitation management under the recognition that full compliance with laws and regulations and other rules related to insurance solicitation is crucial from the perspective of customer protection, maintenance of the sound and appropriate management of the operations of an insurance company and fair insurance solicitation.

(3) Protect and manage information property appropriately, including customer information, shareholder information, material facts, and other unique information

In light of the importance of information property in the life insurance business, including customers' information, shareholders' information, important facts and confidential information, as well as the social responsibilities of the Company that owns such information property, the Company shall appropriately protect and manage information property by complying with Act on the Protection of Personal Information, other laws and regulations and social norms.

(4) Manage risks effectively in accordance with the characteristics of those risks

To ensure the soundness of its financial strength, the appropriateness of its operations and other matters, and to fulfill steadily its obligations under insurance policies, the Company shall carry out appropriate risk management in accordance with the scale and characteristics of operations and the risk profile by understanding and assessing the variety of risks existing within the Company.

(5) Block any relationships with antisocial forces to prevent any damage that might occur

The Company shall position the prevention of damage caused by antisocial forces as the matter of compliance with laws and regulations and other rules and the matter of risk management that are necessary to ensure its sound operations, and it shall develop a structure accordingly. Representative Directors and the entire organization of the Company shall respond in a unified manner to unreasonable demands from antisocial forces.

(6) Ensure appropriate operations at subsidiaries

The Board of Directors and other organizations of subsidiary etc. have the responsibility and authority to develop and manage the internal control structure of subsidiary etc. In managing subsidiary etc., as the basic policy, the Company as a major shareholder shall monitor the decision making and supervision of operations by the Board of Directors and other organizations of subsidiary etc, and the Company shall also confirm the situation of operation execution and other matters and take measures in accordance with the characteristics of subsidiary etc.

(7) Ensure the reliability of financial reports and disclose them appropriately on a timely basis

Representative Directors shall ensure the appropriateness of the details presented in financial reports and secure the reliability of financial reports by developing, managing and assessing the internal control structure related to financial reports. They shall also confirm the appropriateness of financial reports and follow procedures for the disclosure of financial reports.

(8) Check the appropriateness and effectiveness of internal control through internal audits

The Company shall carry out internal audits of the internal control structure to ensure sound and appropriate business management, and it shall develop an effective internal control structure by making all officers and employees aware of the importance of internal audits.

2. Development and Management of the Internal Control Structure

The Company shall develop and manage the structures described below to achieve the objectives of this Basic Policy on the premise of the Company's management principles, basic management policy, operating performance, financial situation and other factors.

(1) Risk assessment and response

In dealing with events that will impact on progress in achieving its objectives, the Company shall assess risks, identify issues, and carry out business improvement based on the understanding of the issues. It shall carry out assessment procedures on a company-wide basis to strengthen the internal control structure.

(2) Development of internal control structure

In order to develop and manage the internal control structure on a company-wide scale, the Company shall establish an Internal Control Committee. The Company shall also develop necessary systems and bodies under the Internal Control Committee, such as a Compliance Committee and an Antisocial Forces Handling Committee.

Departments responsible for internal control shall develop and manage the internal control structure, establish and carry out measures to improve the effectiveness of internal control, confirm the status of internal control, and report to the Board of Directors and other organizations.

(3) Development of internal rules and implementation of education and training

The Company shall develop the necessary internal rules, etc. in accordance with this Basic Policy, in addition to establishing a code of conduct by which the activities of officers and employees are governed. The Company shall also implement necessary education and training for officers and employees in order to establish a solid internal control structure under this Basic Policy.

(4) Monitoring of internal control

The internal control structure in each department and branch shall be examined by its internal organizations in charge of the internal control structure (at subsidiary etc., the internal organizations of the relevant subsidiary etc. in charge of the internal control structure), and it shall be audited by the Internal Audit Department, and also by Independent Auditors in accordance with laws and regulations.

If inadequacies or deficiencies are identified in the internal control structure through monitoring and other activities, the facts and circumstances shall be investigated and improvement measures shall be taken after the causes are ascertained.

(5) Maintenance and management of information related to the execution of duties of officers and employees

A Document Handling Policy shall be established as a policy primarily for the maintenance and management of information related to the execution of duties of officers and employees. Information about the execution of duties of Directors and Executive Officers, such as the minutes of important meetings and resolutions, and other important information, shall be recorded and maintained using an electromagnetic method, micro films or other means in accordance with the Document Handling Policy, in such a way that the information is able to be presented upon the receipt of requests from Directors or Audit and Supervisory Board Members.

(6) Ensuring the efficiency of the execution of duties by officers and employees

To ensure the efficiency of the execution of duties by officers and employees, the Company shall carry out appropriate measures, including the establishment and assessment of plans related to management and operations, the establishment of the segregation of duties and operating responsibilities and authorities in organizations and among officers and employees, and the use and control of information technologies. The Company shall also appropriately identify, understand and process the information necessary for the execution of duties and strive to convey such information internally and externally in an appropriate manner.

3. Response Related to Audits by Audit and Supervisory Board Members

(1) Cooperation with Audit and Supervisory Board Members

In promoting internal control, the implementation of effective audits shall be ensured through cooperation with Audit and Supervisory Board Members, including the development of a system of reporting to Audit and Supervisory Board Members and the Audit and Supervisory Board.

(2) Reporting to Audit and Supervisory Board Members and the Audit and Supervisory Board

If activities that violate laws and regulations, the Articles of Incorporation or other rules or events that cause significant harm to the Company are actually or potentially taking place, officers and employees shall promptly and appropriately report to the Audit and Supervisory Board Members or the Audit and Supervisory Board. If activities that violate laws and regulations, the Articles of Incorporation or other rules or events that cause significant harm to the Company are actually or potentially taking place among subsidiaries etc., officers and employees of such subsidiaries etc. or officers and employees of the company who received a report from the officers and employees of such subsidiaries etc. shall promptly and appropriately report to Audit and Supervisory Board Members or the Audit and Supervisory Board. The Company shall develop the necessary system that the officers and employees who reported to the Audit and Supervisory Board Members or the Audit and Supervisory Board shall not be treated unfairly because of the reporting.

(3) Systems related to employees who support Audit and Supervisory Board Members

Employees who support the Audit and Supervisory Board Members shall be assigned to the Corporate Audit Office, and the independence of these employees from the Directors shall be ensured by holding deliberations with the Audit and Supervisory Board Members regarding the transfer and assessment of the relevant employees and other matters. Employees assigned to the Corporate Audit Office shall perform duties ordered by the Audit and Supervisory Board Members and other duties necessary for conducting audits, and such employees shall have the right to collect information necessary for audit purpose.

(4) Systems to ensure effectiveness of Audits by Audit and Supervisory Board Members

The Company may not refuse the expenses required for matters related to the execution of duties by Audit and Supervisory Board Members and the Audit and Supervisory Board, unless cases where the expenses pertaining to such billing are deemed to be unnecessary for the execution of duties of Audit and Supervisory Board Members.

4. Reporting to the Board of Directors, etc. and Response to the Reports

Officers and employees shall report the results of monitoring and other important matters related to the internal control structure to the Representative Directors, the Board of Directors or the Executive Management Board in accordance with the level of importance and urgency. The Board of Directors and the Executive Management Board shall confirm the effectiveness of the internal control structure based on the reports and take the necessary measures for further improving the internal control structure.

**Implementation Status of Internal Control System (Summary)**

| Items | Implementation Status of Internal Control System |
|---|---|
| 1. Internal Control Committee | The Company regularly holds an Internal Control Committee, which consists of representative directors and the executive officers in charge of the departments responsible for internal control. The Committee is responsible for the following: checking the appropriateness of financial reports and the effectiveness of internal audits; and checking and discussing issues of compliance, the protection of information property, risk management, and the handling of antisocial forces. Through these efforts, the Company promoted the establishment and operation of an internal control system. |
| 2. Compliance | (1) Policies and Regulations, etc. Designed to Promote Compliance<br>The Company has established basic policies and regulations, including Compliance Regulations, under the Basic Internal Control Policy. In FY2015, in light of the necessity for actions based on correct understanding on LGBT, the Company amended the Code of Conduct which outlines specific principles for the behavior of directors, executive officers and employees. The Company has created a Compliance Manual that includes points to keep in mind when performing operations for promoting compliance. The Company seeks to disseminate the rules, laws, regulations and points to all officers and employees and ensure their thorough compliance through various training sessions and other initiatives. |
| | (2) Compliance Initiatives<br>The Compliance Committee held discussions on the execution of a company-wide compliance program, a planned initiative established each fiscal year to promote compliance, as well as issues, responses, etc. within the management frameworks established to cope with matters such as compliance with laws and regulations, insurance sales, and customer protection. The Compliance Committee discusses important matters related to compliance and consults with the Board of Directors and the Executive Management Board, etc. The Company promotes a plan-do-check-action (PDCA) cycle, particularly among executives.<br>In addition, the Company conducted its educational and training activities related to improved awareness of compliance such as training sessions for compliance managers, etc. (training sessions on the theme of creating a “Organization Culture” that realizes compliance, etc. were held in FY2015) and training sessions for all officers and employees (four training sessions were held in FY2015). |
| 3. Information Property Protection | (1) Policy, Regulations, etc. Associated with the Protection of Information Property<br>The Company has established a Basic Internal Control Policy. Under this policy, it has established basic policies and regulations, including Information Property Protection and Control Regulations, to set out basic principles and rules for protecting information property and standards for appropriately protecting information property. In FY2015, based on the spirit of the Act on the Protection of Personal Information (the “Personal Information Protection Act”) and the Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure (the “Numbers Act”), the Company amended the Personal Information Protection Policy and other regulations.<br>The Company has distributed a Compliance Manual and an Information Property Protection and Control Manual to all directors, executive officers and employees and has provided training programs on the theme of the thorough implementation of appropriate storage, control, and disposal of customer information, etc. toward thorough observation of rules and regulations related to the control and promotion of information property protection among all directors, executive officers and employees. |
| | (2) Initiatives Designed to Protect Information Property<br>The Information Property Protection Working Group, which has been established as a subsidiary body of the Compliance Committee, discussed important matters related to the promotion of information property protection and reported the results of the discussions to the Compliance Committee. In addition, based on the contents of the Personal Information Protection Act, Numbers Act, guidelines associated with the protection of personal information in the financial industry, guidelines associated with the appropriate handling of specific personal information, and other regulations, the Company took ongoing initiatives in strengthening compliance with information handling rules through regular staff training and conducting regular inspections of compliance with the rules; regulating access to data inside the Company, and acquiring logs; and supervising and checking outsourcing service providers, including their subcontractors. |

| Items | Implementation Status of Internal Control System |
|---|---|
| 4. Risk Management | (1) Risk Management Policies and Regulations<br>Under the Basic Internal Control Policy, the approach used to manage each type of risk is developed in line with our series of Basic Risk Management Policies. In addition, each of the risk management regulations is translated into practical rules, following our series of Basic Risk Management Policies. In FY2015, the Basic Integrated Risk Management Policies was amended. |
| | (2) Risk Management Initiatives<br>For risks arising from operations of the Company, the operations of the Company are monitored by the department responsible according to the risk category, in obedience to our series of Basic Risk Management Policies. At the ALM Committee, Operational Risk Management Committee and System Risk Management Committee all of which have been established under the Internal Control Committee, the members of management shared information on individual risks.<br>The status of risk management was regularly reported to the Board of Directors and the Executive Management Board, etc.. |
| | (3) Promotion of ERM<br>When formulating a management plan and capital strategies as a risk management measure related to ERM, the department in charge of enterprise risk management examines the adequacy of the plan and the strategies, properly controls capital, risks, and profits by setting and managing risk tolerance, etc., taking into consideration the source, types, and characteristics of risks, and promotes the enhancement of the Group’s risk management. In addition, we made continuous efforts to enhance risk awareness in the Group as a whole mainly through the distribution of internal educational materials. |
| 5. Handling of Antisocial Forces | (1) Policies, Regulations, etc. Associated with the Handling of Antisocial Forces<br>In accordance with the Basic Internal Control Policy, the Company has established regulations regarding antisocial forces. Moreover, based on its Code of Conduct, the Company fully enforces these approaches, policies, and regulations on officers and employees. By establishing detailed standards, the Company clearly articulates rules for directors, executive officers, and employees, as well as specific steps to halt the development of any relationships with antisocial forces and prevent any damage. In FY2015, the regulations regarding antisocial forces were amended in order to further strengthen a structure to halt the development of any relationships with antisocial forces. |
| | (2) Initiatives for Handling Antisocial Forces<br>For the handling of antisocial forces, an Antisocial Forces Handling Committee held company-wide deliberations with a wide range of participants. The Company promoted the development and reinforcement of systems to block any relationships with antisocial groups or to prevent damage that may occur.<br>The status of activities to block any relationships with antisocial groups was regularly reported to the Board of Directors and the Executive Management Board. The Company is permanently committed to developing close cooperative systems with external specialist organizations, such as local police offices, the National Center for the Elimination of Boryokudan (Organized Crime Groups), and lawyers. In FY2015, training sessions on the theme of halting the development of any relationships with antisocial forces, etc. were held for all directors, executive officers, and employees. |
| 6. Ensuring the Appropriate Operations at Subsidiaries, etc. | (1) Policies and Regulations, etc. Associated with the Management of Subsidiaries, etc.<br>The Company has established regulations and rules such as Regulations on Management of Internal Control at Subsidiaries, etc. under the Basic Internal Control Policy to ensure sound and appropriate operations at its subsidiaries, etc. and to continuously improve their corporate value. |
| | (2) Initiatives for Management System for Subsidiaries, etc.<br>Departments that are in charge of the management of subsidiaries, etc. and that are responsible for the internal control of subsidiaries, etc. provided instructions and support to build internal control systems and increase the effectiveness of internal control at subsidiaries, etc., in cooperation with other related departments in charge of internal control, etc. Also, in cooperation with the departments in charge of internal control, important matters were reported to the Company’s Board of Directors, Executive Management Board, etc. |

| Items | Implementation Status of Internal Control System |
| --- | --- |
| 7. Actions Regarding Internal Control over Financial Reporting | (1) Policies and Regulations, etc. Associated with Internal Control over Financial Reporting<br>Under the Basic Internal Control Policy, the Company has established Evaluation Regulations for Internal Control over Financial Reporting, which outline procedures to appropriately evaluate internal control over financial reporting. |
| | (2) Actions Regarding Internal Control over Financial Reporting<br>To ensure the reliability of its financial reporting, the Company evaluates the effectiveness of its internal controls, such as important processes related to financial reporting and the system for preparing financial reports. The Company creates an internal control report that states the results of this evaluation, and submits this Report together with the annual securities report. |
| 8. Internal Audit System | (1) Policies and Regulations, etc. Associated with Internal Audits<br>Under the Basic Internal Control Policy, the Company has established Internal Audit Regulations for Dai-ichi Life Group and Internal Audit Regulations, both of which stipulate basic matters related to internal audits. The Company has also established Internal Audit Work Regulations that provide implementation guidelines for internal audits. |
| | (2) Initiatives for Internal Audits<br>The Internal Audit Department (the Operational Audit Department until March 31, 2016) is an independent organ which verifies those departments receiving an internal audit. The Internal Audit Department examined the appropriateness and effectiveness of the Company's and Group companies' compliance, internal controls including risk management, and business operations in their overall management activities, discovered and pointed out problems, assessed their internal controls, made proposals for improvements, and reported the results of its internal audits to the Board of Directors, the Executive Management Board, etc. |

■ Initiatives concerning audit by Audit and Supervisory Board Members

The Company stipulates in the Regulations for Audits of Audit and Supervisory Board Members the basic matters concerning duties of Audit and Supervisory Board Members, and has in place a system to ensure the effectiveness of audits performed by Audit and Supervisory Board Members.

- Audit and Supervisory Board Members attend the meetings of the Board of Directors as well as important meetings and committees including the Executive Management Board and Internal Control Committees and verifies the developmental and operational status of the internal control system. In addition, Audit and Supervisory Board Members receive reports and information required for audits from employees and officers of the Company and its subsidiaries.
- Audit and Supervisory Board Members work to ensure the effectiveness and efficiency of audits by close collaboration with departments responsible for internal control, Internal Audit Department and Independent Auditor, etc. through regular collection of information and exchange of opinions.
- The Company adopts a whistle-blowing system in which the department responsible for internal control acts as the contact point. The operational status of said system is regularly reported to the Audit and Supervisory Board Member of the Company.
- In order to ensure smooth performance of duties by Audit and Supervisory Board Members, the Company assigns dedicated employees to the Audit and Supervisory Board Member's Center for them to assist in the duties of Audit and Supervisory Board Members under the supervision of Audit and Supervisory Board Members.

## Consolidated Statement of Changes in Net Assets for the Fiscal Year Ended March 31, 2016

(millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| 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 |
| 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 |

(millions of 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 | Accumulated remeasurements of defined benefit plans | Total accumulated other comprehensive income |
| Balance at the beginning of the year | 2,528,262 | (12,036) | (33,424) | 22,654 | 54,027 | 2,559,484 |
| 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 | 54,027 | 2,559,484 |
| 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 | | | | | | |
| Transfer from reserve for land revaluation | | | | | | |
| Others | | | | | | |
| Net changes of items other than shareholders' equity | (688,178) | 8,170 | 17,021 | (6,084) | (87,715) | (756,785) |
| Total changes for the year | (688,178) | 8,170 | 17,021 | (6,084) | (87,715) | (756,785) |
| Balance at the end of the year | 1,840,084 | (3,865) | (16,402) | 16,570 | (33,688) | 1,802,698 |

(millions of yen)

| | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|---|---|---|
| Balance at the beginning of the year | 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 | 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 |
| Transfer from reserve for land revaluation | | | (14,609) |
| Others | | | (995) |
| Net changes of items other than shareholders' equity | 171 | 5 | (756,608) |
| Total changes for the year | 171 | 5 | (640,006) |
| Balance at the end of the year | 925 | 72 | 2,932,959 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2016**

**(GUIDELINES FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS)**

**1. Scope of Consolidation**

(1) Number of consolidated subsidiaries for the fiscal year ended March 31, 2016: 61

The sixty-one subsidiaries of The Dai-ichi Life Insurance Company, Limited (the “Parent Company”) include:

- The Dai-ichi Life Information Systems Co., Ltd.,
- The Dai-ichi Frontier Life Insurance Co., Ltd.,
- The Neo First Life Insurance Company, Limited (“Neo First Life”)
- Dai-ichi Life Insurance Company of Vietnam, Limited (“DLVN”)
- TAL Dai-ichi Life Australia Pty Ltd (“TDLA”), and
- Protective Life Corporation

(2) Number of non-consolidated subsidiaries for the fiscal year ended March 31, 2016: 18

The main subsidiaries that are not consolidated for the purposes of financial reporting are Dai-ichi Seimei Business Service K.K and First U Anonymous Association.

The eighteen non-consolidated subsidiaries had, individually, 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 for reasonable assessment of financial situation, management performance and the situation of cash flows. Therefore, these entities are excluded from the scope of consolidation.

**2. Application of the Equity Method**

(1) Number of non-consolidated subsidiaries under the equity method for the fiscal year ended March 31, 2016: 0

(2) Number of affiliated companies under the equity method for the fiscal year ended March 31, 2016: 48

The forty-eight affiliated companies of the Parent Company include:

- DIAM Co., Ltd.
- Mizuho-DL Financial Technology 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 the fiscal year ended March 31, 2016, three subsidiaries of Janus Capital Group Inc. which became affiliated companies of the Parent Company are newly accounted for under the equity method.

Effective the fiscal year ended March 31, 2016, one affiliated company of Protective Life Corporation is excluded from the scope of the equity method as it has been liquidated.

(3) Non-consolidated subsidiaries and affiliated companies

The non-consolidated subsidiaries (Dai-ichi Seimei Business Service K.K., First U Anonymous Association and others), as well as affiliated companies (NEOSTELLA No.1 Investment Limited Partnership, O.M. Building Management Co., Ltd. and others) of the Parent Company 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 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 foreign consolidated subsidiaries is December 31 or March 31. Financial information as of those closing dates is used to prepare the consolidated financial statements, although 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. Amortization of Goodwill**

Goodwill is amortized over a period of 20 years under the straight-line method. The entire amount is expensed in the fiscal year in which it is incurred if the amount is immaterial.

**(NOTES TO CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2016)**

## 1. Valuation Methods of Securities

Securities held by the Parent 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.

(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 JICPA)

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

(4) 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.

(5) Available-for-sale Securities

a) Available-for-sale Securities with Market Value

Available-for-sale securities which have market value are valued at fair value as of March 31, 2016 (for domestic stocks, the average value during March), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Recognize

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

ii) 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 consolidated statement of earnings.

The cost of securities held by certain foreign consolidated subsidiaries are determined by the first-in first-out method.

## 2. Risk Management Policy of Policy-Reserve-Matching Bonds

The Parent Company and certain of its 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 groups of the Parent Company 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.

The sub-groups of insurance groups of certain consolidated subsidiaries of the Parent Company are:

a) individual life insurance and annuities (yen-denominated, short-term),
b) individual life insurance and annuities (yen-denominated, long-term),
c) individual life insurance and annuities (U.S. dollar-denominated),

d) individual life insurance and annuities (Australian dollar-denominated), and
e) individual life insurance and annuities (New Zealand dollar-denominated)
with the exception of certain types and contracts.

In order to conduct appropriate duration control that accounts for the debt situation, and thus promote more sophisticated asset liability management, or ALM, certain consolidated subsidiaries of the Parent Company added individual life insurance and annuities (New Zealand dollar-denominated) as a new sub-group of life insurance products, effective the year ended March 31, 2016. This addition did not have any impacts on profits and losses for the year ended March 31, 2016.

**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, Promulgated on March 31, 1998), the Parent Company revalued land for business use. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

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

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No.119, Issued on 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 attached improvements and structures is calculated by the straight-line method) and is computed by proportionally allocating the estimated depreciation for the fiscal year.

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 acquired on or before March 31, 2007 and that are depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

Depreciation of tangible fixed assets owned by consolidated subsidiaries in Japan is principally calculated by the declining balance method, while the straight-line method is principally used to compute depreciation for such assets of consolidated overseas subsidiaries.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Parent Company and its consolidated subsidiaries use the straight-line method for amortization of intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful life of two to eight 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 remaining value and using the lease period as the useful life.

(4) Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of March 31, 2016 was ¥664,386 million.

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

The Parent 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 rate as of March 31, 2016. Stocks of non-consolidated subsidiaries and affiliated companies not accounted for under the equity method are translated into yen at the exchange rate on the dates of acquisition. Assets, liabilities, revenues, and expenses of the Parent Company's consolidated overseas subsidiaries are translated into yen at the exchange rates at the end of their fiscal years. 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 Parent 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 items: 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)".

## 7. Reserve for Possible Loan Losses

The reserve for possible loan losses is calculated based on 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 (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor's ability to pay.

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

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

For loans to and claims on 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, 2016 was ¥58 million.

## 8. Reserve for Possible Investment Losses

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

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

For the reserve for retirement benefits of directors, executive officers and corporate auditors of the Parent Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105th general meeting of representative policyholders of the Parent Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105th general meeting of representative policyholders of the Parent Company are provided.

For the reserve for retirement benefits of directors, executive officers, and corporate auditors of certain consolidated subsidiaries, an amount considered to have been incurred is provided.

## 10. Reserve for Possible Reimbursement of Prescribed Claims

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

## 11. Net Defined Benefit Liabilities and Net Defined Benefit Assets

For the net defined benefit liabilities and the net defined benefit assets, the amount is provided by deducting the pension assets from the projected benefit obligations based on the estimated amounts as of March 31, 2016.

The accounting treatment for retirement benefits is as follows.

(1) Allocation of estimated retirement benefits

In calculating the projected benefit obligations, the benefit formula basis is adopted to allocate estimated retirement benefits to the period until March 31, 2016.

(2) Amortization of actuarial differences

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

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

## 12. Reserve for Price Fluctuations

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

## 13. 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, (a) 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; (b) 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); (c) 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; (d) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest-rate fluctuations in certain foreign currency-denominated bonds; and (e) 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).

(2) Hedging Instruments and Hedged Items

| Hedging instruments | Hedged items |
|---|---|
| Interest rate swaps…………………….. | Loans, government and corporate bonds, loans payable, |

| | |
|---|---|
| | bonds payable |
| 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 transactions) |
| Currency options ……………………… | Foreign currency-denominated bonds |
| Bond over-the-counter options……… | Foreign currency-denominated bonds |
| Equity options ………………………… | Domestic stocks, foreign currency-denominated stocks (forecasted transactions) |
| Equity forward contracts……………… | Domestic stocks |

(3) Hedging Policies

The Parent Company conducts hedging transactions with regard to certain price fluctuation 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 hedging instruments.

**14. Calculation of National and Local Consumption Tax**

The Parent 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 Order 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 reserve of the Parent Company and its 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 follows:

(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.

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

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired by the Parent Company on or before March 31, 1996 for which premium payments were already completed (including lump-sum payments), additional policy reserves are provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act and will be provided over the following nine years. As a result, the amount of the additional provisions for policy reserves for the fiscal year ended March 31, 2016 was ¥142,163 million.

**16. Changes in Accounting Policies**

Effective the fiscal year ended March 31, 2016, the Parent Company applied the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013) and other standards.

Accordingly, the accounting method was changed (i) to record the difference arising from changes in equity interest in those subsidiaries over which the Parent Company continues to exercise control, as capital surplus of the Parent Company, and (ii) to record business acquisition costs as expenses for the relevant fiscal year. Regarding business combinations which became effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the provisional allocation of acquisition cost recorded in the relevant consolidated financial statements. In addition, the changes in the presentation of net income and the changes in the presentation from minority interests to non-controlling interests have been implemented.

The Business Combinations Accounting Standard and other standards were applied in accordance with the transitional treatment set forth in Paragraph 58-2 (3) of the “Revised Accounting Standard for Business Combinations”, Paragraph 44-5 (3) of the “Revised Accounting Standard for Consolidated Financial Statements” and Paragraph 57-4 (3) of the “Revised Accounting Standard for Business Divestitures”. The cumulative effects arising from the retroactive application of these new accounting policies to all the previous fiscal years were added to or deducted from capital surplus and retained earnings as of April 1, 2015.

As a result, goodwill decreased by ¥16,962 million, capital surplus decreased by ¥13,667 million, and retained earnings decreased by ¥3,295 million as of April 1, 2015. In addition, both ordinary profits and income before income taxes for the year ended March 31, 2016 increased by ¥879 million.

As cumulative effects have been reflected in net assets for the beginning of the fiscal year under review, the beginning balances of capital surplus decreased by ¥13,667 million and retained earnings in the consolidated statements of changes in net assets decreased by ¥3,295 million.

## 17. Financial Instruments and Others

### (1) Financial Instruments

a) Policies in Utilizing Financial Instruments

In an effort to manage our investment assets in a manner appropriate to our liabilities, which arise from the insurance policies we underwrite, we engage in asset liability management, or ALM, which considers the long-term balance between assets and liabilities in an effort to ensure stable returns. With this strategy, the Parent Company and certain of its consolidated subsidiaries hold fixed income investments, including bonds and loans, as the core of their asset portfolio. While placing priority on its financial soundness, the Parent Company holds stocks and foreign securities within a tolerable risk level to enhance its profitability and facilitate diversification of investment risks.

The Parent Company and certain of its consolidated subsidiaries use derivatives primarily to hedge market risks associated with their existing asset portfolio and supplement their investment objectives, taking into account the exposure of underlying assets. Moreover, they utilize derivatives to mitigate the risks associated with guaranteed minimum benefits of individual variable annuity insurance.

With respect to financing, the Parent Company and certain of its consolidated subsidiaries have raised capital directly from the capital markets mainly by issuing subordinated bonds as well as indirectly from banks in order to strengthen their capital base and to invest such capital in growth areas. To avoid impact from interest-rate fluctuations, the Parent Company utilizes derivative transactions in hedging some of such financial liabilities and adopts hedge accounting.

b) Financial Instruments Used and Their Risks

Securities included in financial assets of the Parent Company and certain of its consolidated subsidiaries, mainly stocks and bonds, are categorized by their 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 currencies are exposed to foreign currency risk. Also, loans are exposed to credit risk arising from the defaults of obligors.

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

The Parent Company and certain of its consolidated subsidiaries utilize interest rate swaps to hedge interest-rate risk associated with certain of their loans receivable and payable and adopt hedge accounting.

In addition, the Parent Company and certain of its consolidated subsidiaries utilize i) equity forward contracts to hedge market fluctuation risk associated with domestic stocks, and ii) 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 applying the hedge accounting, in order to fulfill requirements stipulated in the "Accounting standards for financial instruments" (ASBJ Statement No. 10), the Parent Company and certain of its consolidated subsidiaries have established an investment policy and procedure guidelines and clarified the transactions to be hedged, the risk of underlying assets to be hedged and derivative instruments to be used, and conducted pre- and post-effectiveness tests of the transactions.

c) Risk Management

The risk management system of the Parent Company and certain of its domestic consolidated subsidiaries is as follows:

i) Market Risk Management

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

(a) Interest-rate risk

They keep track of interest rates and durations of their assets and liabilities, monitor their internal analyses on duration gap and interest rate sensitivity, and periodically report their findings to their board of directors, etc.

(b) Currency risk

They keep track of currency composition of their financial assets and liabilities, conduct sensitivity analyses, and periodically report their findings to their board of directors, etc.

(c) Fluctuation in market values

They define risk management policies and management procedures for each asset categories of the overall asset portfolio including securities based on the risk characteristics of the categories, and set and manage limits of each asset balance and asset allocation weight.

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

(d) Derivative transactions

For derivative transactions, they have established an 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, they have put restrictions on utilization purpose, such as hedging, and established position limits for each asset class.

They also utilize derivatives in order to reduce the risk associated with guaranteed minimum maturity benefits of variable annuities. In accordance with their internal regulations to manage the risks associated with their guaranteed minimum maturity benefits, they (i) assess hedge effectiveness of derivative transactions, (ii) manage gains and losses from derivative transactions on a daily basis, and (iii) periodically check their progress on reducing the risk associated with their guaranteed minimum maturity benefits and measure estimated losses based on VaR (value-at-risk). The risk management sections periodically report the overall risk status including the risk associated with their guaranteed minimum maturity to their board of directors, etc.

ii) Credit Risk Management

In accordance with the internal investment policy and credit risk management procedure guidelines, they have 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 investments within those caps. Policies and framework for large-lot borrowers have been formulated in order to prevent credit concentration by monitoring compliance, etc. The above credit management has been conducted by the credit and risk management sections, and has been periodically reported to their 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.

In each of certain overseas consolidated subsidiaries, a committee established by their board of directors approves its investment policy, and periodically monitors compliance and the status of each risk, thus enabling the subsidiaries to manage their risks in conformity with their risk characteristics.

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 consolidated balance sheet, fair value and differences between carrying amount and fair value as of March 31, 2016 were as follows. The following table does 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. Stock of subsidiaries and affiliate companies | 40,526 | 62,802 | 22,275 |
| e. Available-for-sale securities | 20,641,643 | 20,641,643 | - |
| (6) Loans | 3,715,562 | | |
| Reserve for possible loan losses (*1) | (549) | | |
| | 3,715,013 | 3,854,510 | 139,497 |
| Total assets | 45,569,095 | 49,312,031 | 3,742,935 |
| (1) Bonds payable | 485,682 | 497,702 | 12,019 |
| (2) Long-term borrowings | 364,050 | 366,516 | 2,466 |
| Total liabilities | 849,733 | 864,219 | 14,486 |
| Derivative transactions (* 2) | | | |
| a. Hedge accounting not applied | (24,791) | (24,791) | - |
| b. Hedge accounting applied | 104,489 | 100,948 | (3,540) |
| Total derivative transactions | 79,698 | 76,157 | (3,540) |

(*1) Excluding general reserves for possible loan losses and reserves for possible loan losses related to specific loans.
(*2) Credits/debts from derivative transactions are presented on a net basis. Figures in ( ) represent net liabilities.

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

- **Assets**

a) Cash and deposits

As for deposits with maturities, except for those which are close to maturity, present value is calculated by discounting the carrying amount for each segment based on the term, using a deposit interest rate which is assumed to be applied to new deposits. As for deposits close to maturity and deposits without maturity, fair value is based on the carrying amount since fair value is close to the carrying amount.

b) Call loans

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

c) Monetary claims bought

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

d) Money held in trust

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or price presented by counterparty financial institutions. The fair value of mutual funds is based on unit price. The fair value of derivative transactions included in money held in trust is based on the price on derivatives markets.

e) Securities

The fair value of stocks is based on the price on stock exchanges and that of bonds is based on the price on bond markets or the 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 the 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 “(3) Securities”.

f) Loans

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

Additionally, for risk-monitored loans, reserve for possible loan losses is calculated based on the present value of estimated future cash flows or the amount deemed recoverable from collateral and guarantees and the fair value is close to the carrying amount on the balance sheet minus reserve for possible loan losses as of March 31, 2016. Therefore, that amount (the carrying amount on the balance sheet minus reserve for possible loan losses) is recorded as fair value for risk-monitored loans.

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

- **Liabilities**

a) Bonds payable

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

b) Long-term borrowings

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

The breakdown of derivative transactions is a) currency-related transactions (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 exchange-traded prices and the prices quoted from financial institution, etc.

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

| As of March 31, 2016 | Carrying amount |
|---|---|
| | (Unit: million yen) |
| 1. Unlisted domestic stocks (*1)(*2) ................ | 161,949 |
| 2. Unlisted foreign stocks (*1)(*2).................... | 46,950 |
| 3. Other foreign securities (*1)(*2) .................. | 692,672 |
| 4. Other securities (*1)(*2) ............................ | 91,486 |
| Total | 993,059 |

(*1) These securities cannot be assigned a market value because of unavailability of tradable markets, and they are excluded from disclosure of market value information.
(*2) The Parent Company recorded impairment charges of ¥21 million for the fiscal year ended March 31, 2016.

**(Note 3) Scheduled redemptions of monetary claims and securities with maturities**

| As of March 31, 2016 | Due in 1 year or less | Due over 1 year to 5 years | Due over 5 years to 10 years | Due over 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 (*1)............... | 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 (foreign securities).... | 601,818 | 2,273,995 | 2,701,541 | 4,844,218 |
| Available-for-sale securities with maturities (other securities)....... | 17,389 | 101,700 | 283,211 | 15,088 |
| Loans (*2).................................. | 408,915 | 977,330 | 991,702 | 682,284 |

(*1) ¥84,836 million of money held in trust without maturities was not included.
(*2) Loans for which interest or principal payments cannot be expected, such as credits to bankrupt obligors, substantially bankrupt obligors and obligors at risk of bankruptcy, amounting to ¥761 million, were not included. Also, ¥616,770 million of loans without maturities were not included.

**(Note 4) Scheduled maturities of bonds payable and long-term borrowings**

| As of March 31, 2016 | Due in 1 year or less | Due over 1 year to 2 years | Due over 2 years to 3 years | Due over 3 years to 4 years | Due over 4 years to 5 years | Due over 5 years |
|---|---|---|---|---|---|---|
| | | | (unit: million yen) | | | |
| Bonds payable(*1) | - | - | 18,091 | 48,244 | - | 159,118 |
| Long-term borrowings(*2) | 3,277 | - | - | 19,276 | 58,495 | - |

(*1) ¥215,727 million of bonds payable without maturities were not included.
(*2) ¥283,000 million of long-term borrowings without maturities were not included.

(3) Securities

a) Trading securities:

| | Year ended March 31, 2016 |
|---|---|
| | (Unit: million yen) |
| Gains (losses) on valuation of trading securities………… | (389,394) |

b) Held-to-maturity Bonds:

| As of March 31, 2016 | Carrying amount | Fair value | Unrealized 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) |

c) Policy-reserve-matching Bonds:

| As of March 31, 2016 | Carrying amount | Fair value | Unrealized 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 |

d) Available-for-sale Securities:

| | | | |
|---|---|---|---|
| (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:
Figures in “Other securities” include trust beneficiary rights (purchase cost: ¥226,436 million; carrying amount: ¥239,299 million), which were recorded as monetary claims bought on the consolidated balance sheet.

e) Held-to-maturity Bonds Sold:
The Parent Company and its consolidated subsidiaries sold no held-to-maturity bonds during the fiscal year ended March 31, 2016.

f) Policy-reserve-matching Bonds Sold:
Policy-reserve-matching bonds sold during the fiscal year ended March 31, 2016 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 | - | - | - |
| Total | 60,446 | 2,317 | 192 |

g) Available-for-sale Securities Sold:

Available-for-sale securities sold during the year ended March 31, 2016 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 |

h) Securities Written Down:

The Parent Company and its consolidated subsidiaries write down the balance of certain available-for-sale securities with market values i) when the market value of such securities declines by 50% or more of its purchase cost or ii) when the market 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 amount written down from the balance of available-for-sale securities with market value for the fiscal year ended March 31, 2016 was ¥4,108 million.

(4) Money Held in Trust

a) Money held in trust for investment purpose:

| As of March 31, 2016 | (Unit: million yen) |
|---|---|
| Carrying amount on the consolidated balance sheet ……….. | 84,836 |
| Gains (losses) on valuation of money held in trust …………. | (5,450) |

b) Money held in trust classified as Available-for-Sale (other than for investment purpose, classified as held-to-maturity and policy-reserve-matching):

| As of March 31, 2016 | (Unit: million yen) |
|---|---|
| Carrying amount on the consolidated balance sheet ……….. | 2,640 |
| Acquisition cost………………………………………………… | 2,587 |
| Unrealized gains (losses)……………………………………… | 52 |
| Unrealized gains………………………………………………… | 52 |
| Unrealized losses……………………………………………… | - |

## 18. Real Estate for Rent

The Parent Company owns a number of commercial buildings, including land, for rent in various locations, including Tokyo. For the fiscal year ended March 31, 2016, net rental income from such real estate for rent was ¥29,557 million (the rental income was included in investment income and the rental expenses were included in investment expenses) and the Parent Company recorded extraordinary loss of ¥3,419 million for impairment loss on real estate for rent.

The carrying amount, net change during the fiscal year ended March 31, 2016, and the fair value of real estate for rent were as follows:

| Fiscal year ended March 31, 2016 | (Unit: million yen) |
|---|---|
| Carrying amount | |
| Beginning balance | 803,708 |
| Net change during the period | 3,580 |
| Ending balance | 807,289 |
| Fair value | 864,061 |

Notes:

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

(2) Net change in the carrying amount includes cost of acquisition of real estate for rent of ¥16,526 million, the depreciation expense of ¥14,153 million, impairment losses of ¥3,419 million and sale of the real estate of ¥2,325 million.

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

## 19. 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 was ¥2,250,315 million.

## 20. Problem Loans

As of March 31, 2016, 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 ¥3,513 million. The amount of credits to bankrupt borrowers was ¥93 million, the amount of delinquent loans was ¥3,005 million, the Parent Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥415 million.

Credits to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are 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, credits to bankrupt borrowers and delinquent loans decreased by ¥2 million and ¥56 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 was ¥3,140,639 million. Separate account liabilities were the same amount as the separate account assets.

## 22. Deferred Tax Accounting

(1) Major components of deferred tax assets and liabilities as of March 31, 2016

| | (Unit: million yen) |
|---|---|
| Deferred tax assets: | |
| Insurance policy reserve | 468,506 |
| Net defined benefit liabilities | 165,437 |
| Net unrealized losses on securities, net of tax | 80,994 |
| Reserve for price fluctuations | 43,386 |
| Other assets | 33,091 |
| Others | 115,546 |
| Subtotal | 906,963 |
| Valuation allowances | (73,109) |
| Total | 833,854 |

| | (Unit: million yen) |
|---|---|
| Deferred tax liabilities: | |
| Net unrealized gains on securities, net of tax | (761,560) |
| Valuation difference related to business combination | (182,284) |
| Other intangible fixed assets | (87,063) |
| Others | (72,351) |
| Total | (1,103,259) |
| Net deferred tax liabilities | (269,405) |

(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, 2016

| | |
|---|---|
| Statutory tax rate | 28.76% |
| (Adjustments) | |
| Decrease in deferred tax assets in relation to changes in tax rates | 6.63% |
| Transfer from reserve for land revaluation | (2.55%) |
| Others | (0.03%) |
| Actual effective tax rate after considering deferred taxes | 32.81% |

(3) Adjustment of deferred tax assets and liabilities due to changes in effective statutory tax rate

Pursuant to the enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” and “Act for Partial Amendment of the Local Tax Act, etc.” in the Diet on March 29, 2016, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been reduced from 28.76% to 28.16% for the fiscal year beginning on April 1, 2016 or later, and to 27.92% for the fiscal year beginning on April 1, 2018 or later.

As a result, deferred tax assets decreased by ¥54 million, deferred tax liabilities decreased by ¥5,188 million and corporate income taxes-deferred increased by ¥17,626 million.

## 23. 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 ended March 31, 2016 …………… | 405,566 |
| Dividends paid during the fiscal year ended March 31, 2016 …………………… | 121,003 |
| Interest accrual during the fiscal year ended March 31, 2016 …………………… | 8,639 |
| Provision for reserve for policyholder dividends ………………………………… | 97,500 |
| Balance as of March 31, 2016 …………………………………………………… | 390,701 |

## 24. Stock of Subsidiaries

The amount of stocks of and stakes in non-consolidated subsidiaries and affiliated companies the Parent Company held as of March 31, 2016 was as follows:

(Unit: million yen)

| | |
|---|---|
| Stocks ……………………………… | 122,088 |
| Capital ……………………………… | 70,902 |
| Total ………………………………… | 192,990 |

## 25. Organizational Change Surplus

The amount of the Parent Company's organizational change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

## 26. Assets Pledged as Collateral / Secured Liabilities

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

(Unit: million yen)

| | |
|---|---|
| Securities (Government bonds) ………………………………… | 407,357 |
| Securities (Foreign securities) …………………………………… | 235,367 |
| Securities (Corporate bonds) …………………………………… | 3,594 |
| Cash and deposits ……………………………………………… | 9,042 |
| Securities, cash and deposits pledged as collateral ………… | 655,362 |

The amounts of secured liabilities were as follows:

(Unit: million yen)

| | |
|---|---|
| Cash collateral for securities lending transactions …………… | 473,284 |

"Securities (Government bonds)" includes securities pledged as collateral for securities lending transactions with cash collateral as of March 31, 2016 for the amount of ¥381,453 million.

## 27. Net Assets per Share

The amount of net assets per share of the Parent Company as of March 31, 2016 was ¥2,472.86.

## 28. Stock Options

(1) The Account used to record expenses associated with issuing stock options and the amount expensed during the fiscal year ended March 31, 2016
Operating expenses: ¥256 million

(2) Details of the stock options granted for the fiscal year ended March 31, 2016

a) Details of stock options

| | 1st Series of Stock Acquisition Rights | 2nd Series of Stock Acquisition Rights | 3rd Series of Stock Acquisition Rights |
|---|---|---|---|
| Category and number of people to whom stock options are granted | 10 directors (except outside directors) and 16 executive officers of the Parent Company | 11 directors (except outside directors) and 16 executive officers of the Parent Company | 11 directors (except outside directors) and 17 executive officers of the Parent Company |
| Class and total number (*) | 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 | From August 17, 2011 to August 16, 2041<br>A granted person may exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of the Parent Company. | From August 17, 2012 to August 16, 2042<br>A granted person may exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of the Parent Company. | From August 17, 2013 to August 16, 2043<br>A granted person may exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of the Parent Company. |

| | 4th Series of Stock Acquisition Rights | 5th Series of Stock Acquisition Rights |
|---|---|---|
| Category and number of people to whom stock options are granted | 11 directors (except outside directors) and 17 executive officers of the Parent Company | 11 directors (except outside directors) and 18 executive officers of the Parent Company |
| Class and total number (*) | 179,000 shares of common stock | 110,600 shares of common stock |
| Grant date | August 18, 2014 | August 17, 2015 |
| Vesting conditions | 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 |
| Exercise period | From August 19, 2014 to August 18, 2044<br>A granted person may exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of the Parent Company. | From August 18, 2015 to August 17, 2045<br>A granted person may exercise stock options only within 10 days from the day following the date on which she/he loses the status as both a director and an executive officer of the Parent Company. |

(Note) The total number of stock options is translated to the number of shares of common stock for better understanding. As the Parent Company conducted a 1:100 share split on October 1, 2013, the above-described number of shares for each stock acquisition right is calculated taking into account the split.

b) Number of stock options

| | 1st Series of Stock Acquisition Rights | 2nd Series of Stock Acquisition Rights | 3rd Series of Stock Acquisition Rights | 4th Series of Stock Acquisition Rights | 5th Series of Stock Acquisition Rights |
|---|---|---|---|---|---|
| Before vesting | | | | | |
| Outstanding at the end of the previous fiscal year | - | - | - | - | - |
| Granted | - | - | - | - | 110,600 |
| Forfeited | - | - | - | - | - |
| Vested | - | - | - | - | 110,600 |
| Outstanding at the end of the fiscal year | - | - | - | - | - |
| After vesting | | | | | |
| Outstanding at the end of the previous fiscal year | 117,600 | 253,900 | 162,000 | 179,000 | - |
| Vested | - | - | - | - | 110,600 |
| Exercised | 18,900 | 34,500 | 15,100 | 15,800 | - |
| Forfeited | - | - | - | - | - |
| Outstanding at the end of the fiscal year | 98,700 | 219,400 | 146,900 | 163,200 | 110,600 |

(Note) As the Parent Company conducted a 1:100 share split on October 1, 2013, the above-described number of shares for each stock acquisition right is calculated taking into account the split.

c) Price information

| | 1st Series of Stock Acquisition Rights | 2nd Series of Stock Acquisition Rights | 3rd Series of Stock Acquisition Rights | 4th Series of Stock Acquisition Rights | 5th Series of Stock Acquisition Rights |
|---|---|---|---|---|---|
| Exercise price | ¥1 per stock option | ¥1 per stock option | ¥1 per stock option | ¥1 per stock option | ¥1 per stock option |
| Average stock price at the time of exercise | ¥1,788 | ¥1,788 | ¥1,788 | ¥1,788 | - |
| Fair value at the granted date | ¥885 | ¥766 | ¥1,300 | ¥1,366 | ¥2,318 |

(Note) As the Parent Company conducted a 1:100 share split on October 1, 2013, the above-described average stock price at the time of exercise and fair value at the granted date are calculated taking into account the split.

(3) Valuation method used for estimating fair value of stock options

a) Valuation method

Black-Scholes Model

b) Assumptions

| | 5th Series of Stock Acquisition Rights |
|---|---|
| Expected volatility (*1) | 34.717% |
| Expected durations (*2) | 3 years |
| Expected dividends (*3) | ¥35 |
| Risk-free interest rate (*4) | 0.005% |

(*1) Computed based on the closing prices of common stock in each trading day from August 15, 2012 to August 14, 2015.

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

(*3) Computed based on the expected dividend for the fiscal year ended March 31, 2016 at the granted date.

(*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.

**29. Employees' Retirement Benefits**

(1) Overview of Employees' Retirement Benefit Plan of the Group

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

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

Certain consolidated subsidiaries in Japan maintain their benefit plan consisting of defined benefit corporate pension and retirement lump sum grants. Certain foreign consolidated subsidiaries maintain their defined benefit plan and defined contribution plan.

(2) Defined Benefit Plan

a) Beginning and ending balance of projected benefit obligations (except for benefit plans adopting simplified method)

(Unit: million yen)

| | | |
|---|---|---|
| a. | Beginning balance of projected benefit obligations | 649,776 |
| b. | Service cost | 25,452 |
| c. | Interest cost | 11,612 |
| d. | Accrued actuarial differences | 86,221 |
| e. | Retirement benefit payment | (34,863) |
| f. | Others | (495) |
| g. | Ending balance of projected benefit obligations (a + b + c + d + e + f) | 737,704 |

b) Beginning and ending balance of pension assets (except for benefit plans adopting simplified method)

(Unit: million yen)

| | | |
|---|---|---|
| a. | Beginning balance of pension assets | 319,579 |
| b. | Estimated investment return | 3,797 |
| c. | Accrued actuarial differences | (26,447) |
| d. | Employer contribution | 7,675 |
| e. | Retirement benefit payment | (10,042) |
| f. | Others | 476 |
| g. | Ending balance of pension assets (a + b + c + d + e+ f) | 295,038 |

c) Beginning and ending balance of net defined benefit liabilities for benefit plans adopting simplified method

(Unit: million yen)

| | | |
|---|---|---|
| a. | Beginning balance of net defined benefit liabilities | 419 |
| b. | Retirement benefit expenses | 101 |
| c. | Retirement benefit payment | (107) |
| d. | Others | (1) |
| e. | Ending balance of net defined benefit liabilities (a + b + c + d) | 412 |

d) Ending balance of projected benefit obligation and pension assets and net defined benefit assets/liabilities in the consolidated balance sheet

(Unit: million yen)

| | | |
|---|---|---|
| a. | Projected benefit obligations for funded pensions | 422,745 |
| b. | Pension assets | (295,038) |
| c. | Subtotal (a + b) | 127,706 |
| d. | Projected benefit obligations for unfunded pensions | 315,371 |
| e. | Net defined benefit assets / liabilities in the consolidated balance sheet (c + d) | 443,077 |
| f. | Net defined benefit liabilities | 443,842 |
| g. | Net defined benefit assets | (764) |
| h. | Net defined benefit assets / liabilities in the consolidated balance sheet (f + g) | 443,077 |

e) Breakdown of retirement benefit expenses

(Unit: million yen)

| | | |
|---|---|---|
| a. | Service cost | 25,452 |
| b. | Interest cost | 11,612 |
| c. | Estimated investment return | (3,797) |
| d. | Amortization of unrecognized actuarial differences | (10,118) |
| e. | Retirement benefit expenses calculated under the simplified method | 101 |
| f. | Others | 418 |
| g. | Retirement benefit expenses for defined benefit plan (a + b + c + d + e + f) | 23,670 |

f) Remeasurement of defined benefit plans

The breakdown of remeasurement of defined benefit plans (before applying deferred tax accounting) is as follows:

(Unit: million yen)

| | | |
|---|---|---|
| a. | Actuarial differences | (122,463) |
| b. | Total | (122,463) |

g) Accumulated remeasurement of defined benefit plans

The breakdown of accumulated remeasurement of defined benefit plans (before applying deferred tax accounting) is as follows:

(Unit: million yen)

| | | |
|---|---|---|
| a. | Unrecognized actuarial differences | 46,579 |
| b. | Total | 46,579 |

h) Information on pension assets

i) Breakdown of pension assets

The allocation of total pension assets is as follows:

| | |
|---|---|
| Stocks | 55% |
| Bonds | 14% |
| Asset Under Cooperative Management | 14% |
| General Account of life insurance contracts | 9% |
| Others | 8% |
| Total | 100% |

Pension assets include 49% retirement benefit trust established for the retirement lump sum grant.

ii) Method for setting long-term estimated return on investment

When setting long-term estimated return on investment, the Parent Company takes into account the allocation of pension assets (both current and in the future) and long-term estimated return on investment in various assets composing pension assets.

i) Actuarial assumptions

Major actuarial assumptions for the fiscal year ended March 31, 2016 are as follows:

| | |
|---|---|
| Discount rate | 0.30% ～ 4.29% |
| Long-term estimated return on investment | |
| Defined benefit corporate pension | 1.00% ～ 7.25% |
| Retirement benefit trust | 0.00% |

(3) Defined Contribution Plan

The amount of necessary contribution to the defined contribution plan from the Parent Company and consolidated subsidiaries is ¥2,360 million.

## 30. Asset Retirement Obligations

(1) Overview of Asset Retirement Obligations

The Parent Company recognized statutory or similar obligations associated with some of its real estate for rent and business use with regard to the removal of a) tangible fixed assets and b) certain harmful substances in the tangible fixed assets and recorded asset retirement obligations.

(2) Calculation Method of Asset Retirement Obligations

The Parent Company calculated asset retirement obligations by a) estimating the period of service of each building between 0 and 37 years based on its contract term and useful life and b) applying discount rates ranging from 0.144% to 2.293%.

(3) Increase and Decrease in Asset Retirement Obligations

The following table shows the increase and decrease in asset retirement obligations for the fiscal year ended March 31, 2016:

| | (Unit: million yen) |
|---|---|
| Beginning balance | 2,789 |
| Time progress adjustments | 37 |
| Others | (151) |
| Ending balance | 2,675 |

## 31. Securities Borrowing

Of securities borrowed under borrowing agreements and securities received as collateral of reinsurance transactions, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of March 31, 2016 was ¥267,875 million, among which no securities were pledged as collateral.

## 32. Commitment Line

There were unused commitment line agreements, under which the Parent Company is the lender, of ¥104,987 million.

## 33. Subordinated Debt

Other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

## 34. Bonds Payable

Bonds payable included foreign currency-denominated subordinated bonds of ¥269,852 million, the repayment of which is subordinated to other obligations.

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

The estimated future obligations of the Parent Company and its subsidiaries 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 were ¥55,326 million as of March 31, 2016. These obligations will be recognized as operating expenses in the period in which they are paid.

## 36. Incentive Programs for Employees

The Parent Company conducts transactions by granting its stocks to its employees using trust schemes (the “Stock Granting Trust (J-ESOP)” and the “Company’s Trust-type Employee Shareholding Incentive Plan (E-Ship®)”) to incentivize its employees to improve the corporate value and, thus, stock prices, and to provide the employees with incentives to improve the corporate value of the Parent Company in the medium- to long-term.

(1) Overview of the transactions

(a) J-ESOP

J-ESOP is a program to grant shares of common stock to the Parent Company’s managerial level employees who fulfill requirements under the Stock Granting Regulations of the Parent Company. The Parent 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 and managed separately from books of the Company.

(b) 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”). In the E-Ship® plan, the Parent Company sets up a trust through a trust bank. The trust estimates the number of shares of common stock of the Parent Company which the Partnership is to acquire during the next 5 years and purchases the shares in advance. The Partnership buys shares of the Parent 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 Parent Company, are to be distributed to the members, who fulfill the requirements for eligible beneficiaries. The Parent 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.

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

(3) Information related to the stocks of the Parent Company which the trusts hold

(a) J-ESOP

i) Book value of the stocks of the Parent Company within the trust was ¥6,672 million. These stocks were recorded as the treasury stock in the total shareholders’ equity.

ii) The number of stocks within the trust at the period end was 4,413 thousand shares and the average number of stocks within the trust was 4,437 thousand shares. The number of shares at the period end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

(b) E-Ship®

i) Book value of the stocks of the Parent Company within the trust was ¥1,558 million. These stocks were recorded as the treasury stock in the total shareholders’ equity.

ii) The number of stocks within the trust at the period end was 1,076 thousand shares and the average number of stocks within the trust was 1,545 thousand shares. The number of shares at the period end and the average number of stocks were included in the treasury stock, which is deducted when calculating per-share information.

## 37. Subsequent Event

The Company intends to shift to a holding company structure (the “Transition”). In connection with the Transition, the Company resolved at its Board of Directors meeting held on April 8, 2016 that its domestic life insurance business will be succeeded by The Dai-ichi Life Split Preparation Company, Limited, a wholly-owned subsidiary of the Company that was incorporated on April 1, 2016 (the “Successor”). Accordingly, the Company concluded a definitive agreement with the Successor with respect to an absorption-type corporate split (the “Agreement”) which is expected to become effective on October 1, 2016.

The Agreement and necessary amendments to the Articles of Incorporation of the Company shall become effective subject to the approvals of: (i) the 6th annual general meeting of shareholders to be held on June 24, 2016; and (ii) regulatory authorities.

With effect from October 1, 2016, the Company will become a holding company with a new trade name, “Dai-ichi Life Holdings, Inc.”, and a new corporate purpose of managing the group’s operating companies.

<Overview of the Parties to the Agreement>

| | The Company (as of March 31, 2016) | The Successor (as of April 1, 2016) |
|---|---|---|
| (1) Trade name | The Dai-ichi Life Insurance Company, Limited*1 | The Dai-ichi Life Split Preparation Company, Limited*2 |
| (2) Address | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan |
| (3) Representative | Koichiro Watanabe, President and Representative Director | Yuji Kawazoe, Representative Director |
| (4) Business | Life insurance business | Preparation for undertaking life insurance business, etc. |
| (5) Capital stock | 343,146 million yen | 100 million yen |
| (6) Date of incorporation | September 15, 1902 | April 1, 2016 |
| (7) Number of shares issued | 1,198,023,000 | 10 |
| (8) Fiscal year-end | March 31 | March 31 |
| (9) Major shareholders *3 | Japan Trustee Services Bank, Ltd. (Trust Account): 5.14%<br><br>BNY GCM Client Account JPRD AC ISG (FE-AC): 4.02%<br><br>Mizuho Bank, Ltd: 3.77%<br><br>The Master Trust Bank of Japan, Ltd. (Trust Account): 3.60%<br><br>GOLDMAN SACHS INTERNATIONAL: 2.64% | The Dai-ichi Life Insurance Company, Limited: 100% |
| (10) Consolidated results of operations and financial position | | |
| | Fiscal Year ended March 31, 2016 | |
| Net assets | 2,932,959 million yen | |
| Total assets | 49,924,922 million yen | |
| Net assets per share | 2,472.86 yen | |
| Ordinary revenues | 7,333,947 million yen | |
| Ordinary profit | 418,166 million yen | |
| Net income attributable to shareholders of Dai-ichi Life | 178,515 million yen | |
| Net income per share | 150.53 yen | |

*1 The trade name will be changed to “Dai-ichi Life Holdings, Inc.” as of October 1, 2016.

*2 The trade name will be changed to “The Dai-ichi Life Insurance Company, Limited” as of October 1, 2016.

*3 The percentage of shares outstanding are calculated by excluding the treasury stock (6,878 thousand shares).

**(NOTES TO CONSOLIDATED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2016)**

**1. Net Income per Share**

Net income per share for the fiscal year ended March 31, 2016 was ¥150.53. Diluted net income per share for the same period was ¥150.44.

**2. Impairment Losses on Fixed Assets**

Details on the Parent Company's impairment losses on fixed assets for the fiscal year ended March 31, 2016 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 in some asset groups, the Parent Company wrote down the book value of these assets to the recoverable value, and reported such write-off as impairment losses in extraordinary losses.

(3) Breakdown of Impairment Losses

Impairment losses by asset group were as follows:

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

(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 2.48 % 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.

**(NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED MARCH 31, 2016)**

**1. Type and Number of Shares Outstanding**

| | At the beginning of the fiscal year ended March 31, 2016 | Increase | Decrease | As of March 31, 2016 |
|---|---|---|---|---|
| | (Unit: thousands shares) | | | |
| Common stock ………… | 1,197,938 | 84 | - | 1,198,023 |
| Treasury stock ………… | 6,518 | 6,878 | 1,028 | 12,368 |

Notes:

1. The 84 thousand share increase in common stock represents an increase due to the exercise of stock acquisition rights (stock options).
2. 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.
3. The increase of 6,878 thousand shares of treasury stock was due to the repurchase of outstanding common stock.
4. 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 at the end of the period (Unit: million yen) |
|---|---|---|
| The Parent Company | Stock acquisition rights in the form of stock options | 925 |

**3. Dividends on Common Stock**

(1) 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 |

Note: Total dividends did not include ¥182 million of dividends to the J-ESOP trust and the E-ship® trust, as the Parent Company recognized the shares held by those trusts as treasury shares.

(2) Dividends for Which the Record Date was March 31, 2016 but to Be Paid Out in the Year Ending March 31, 2017

| | |
|---|---|
| Date of resolution | June 24, 2016 (at the Annual General Meeting of Shareholders to be held) |
| 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 |

Note: Total dividends did not include ¥192 million of dividends to the J-ESOP trust and the E-ship® trust, as the Parent Company recognized the shares held by those trusts as treasury shares.

## Statement of Changes in Net Assets for the Fiscal Year Ended March 31, 2016

(millions of yen)

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | |
| | | | | | | Other retained earnings |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Fund for risk allowance |
| Balance at the beginning of the year | 343,104 | 343,104 | 151 | 343,255 | 5,600 | 43,120 |
| Changes for the year | | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | 42 | 42 | | 42 | | |
| Dividends | | | | - | | |
| Net income | | | | - | | |
| 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 | | | | - | | |
| 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 | | | | - | | |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes for the year | 42 | 42 | 474 | 517 | - | - |
| Balance at the end of the year | 343,146 | 343,146 | 625 | 343,772 | 5,600 | 43,120 |

(millions of yen)

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | Retained earnings | | | | | |
| | Other retained earnings | | | | | |
| | Fund for price fluctuation allowance | Reserve for tax basis adjustments of real estate | Retained earnings brought forward | Total retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the year | 65,000 | 24,875 | 292,143 | 430,738 | (9,723) | 1,107,375 |
| Changes for the year | | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | | | | - | | 84 |
| Dividends | | | (33,359) | (33,359) | | (33,359) |
| Net income | | | 129,123 | 129,123 | | 129,123 |
| Purchase of treasury stock | | | | - | (15,000) | (15,000) |
| Disposal of treasury stock | | | | - | 1,492 | 1,967 |
| 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) | (14,609) | | (14,609) |
| Net changes of items other than shareholders' equity | | | | | | |
| Total changes for the year | - | 641 | 80,512 | 81,153 | (13,507) | 68,206 |
| Balance at the end of the year | 65,000 | 25,517 | 372,655 | 511,892 | (23,231) | 1,175,581 |

(millions of yen)

| | Valuation and translation adjustments | | | | Subscription rights to shares | 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 | 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 |
| Dividends | | | | | | (33,359) |
| Net income | | | | | | 129,123 |
| Purchase of treasury stock | | | | | | (15,000) |
| Disposal of treasury stock | | | | | | 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) |
| Net changes of items other than shareholders' equity | (541,708) | 8,170 | 17,021 | (516,516) | 171 | (516,344) |
| Total changes for the year | (541,708) | 8,170 | 17,021 | (516,516) | 171 | (448,138) |
| Balance at the end of the year | 1,946,957 | (3,865) | (16,402) | 1,926,688 | 925 | 3,103,195 |

**(NOTES TO THE NON-CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2016)**

## 1. Valuation Methods of Securities

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

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

(1) Trading Securities

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

(2) Held-to-maturity Bonds

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

(3) Policy-reserve-matching Bonds (in accordance with the Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants (JICPA))

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

(4) Stocks of Subsidiaries and Affiliated Companies

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

(5) Available-for-sale Securities

a) Available-for-sale Securities with Market Value

Available-for-sale securities which have market value are valued at fair value as of March 31, 2016 (for domestic stocks, the average value during March), with cost determined by the moving average method.

b) Available-for-sale Securities Whose Market Values Are Extremely Difficult to Recognize

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

ii) 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 non-consolidated statement of earnings.

## 2. Policy-reserve-matching Bonds

(1) Book Value and Market Value

The book value and the market value of policy-reserve-matching bonds as of March 31, 2016 were ¥12,027,685 million and ¥15,449,932 million, respectively.

(2) Risk Management Policy

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

The sub-groups of insurance products are:

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

with the exception of certain types.

## 3. Valuation Method of Derivative Transactions

Derivative transactions are reported at fair value.

## 4. Revaluation of Land

Based on the "Act on Revaluation of Land" (Act No.34, Promulgated on March 31, 1998), the Company revalued land for business use. The difference between the fair value and book value resulting from the revaluation, net of related deferred taxes, is recorded as a reserve for land revaluation as a separate component of net assets and the related deferred tax liability is recorded as deferred tax liabilities for land revaluation.

(1) Date of revaluation: March 31, 2001

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

The fair value was determined based on the appraisal value publicly announced for tax assessment purposes with certain reasonable adjustments in accordance with Articles 2-1 and 2-4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No.119, Issued on 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 attached improvements and structures is calculated by the straight-line method) and is computed by proportionally allocating the estimated depreciation for the fiscal year.

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 are acquired on or before March 31, 2007 and that are depreciated to their final depreciable limit, effective the fiscal year ended March 31, 2008, the remaining values are depreciated at equal amounts over five years following the fiscal year end when such assets were depreciated to their final depreciable limit.

(2) Amortization of Intangible Fixed Assets Excluding Leased Assets

The Company uses the straight-line method for amortization of intangible fixed assets excluding leased assets. Amortization of software for internal use is based on the estimated useful life 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 remaining value and using the lease periods as the useful lives.

(4) Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets as of March 31, 2016 was ¥662,411 million.

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

The Company translated foreign currency-denominated assets and liabilities (excluding stocks of its subsidiaries and affiliated companies) into yen at the prevailing exchange rates as of March 31, 2016. 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 (1) the recoverable amount covered by the collateral or guarantees and (2) an overall assessment of the obligor's ability to pay.

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

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

For loans to and claims on bankrupt and substantially bankrupt obligors, the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral or guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amount written off during the fiscal year ended March 31, 2016 was ¥58 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, 2016.

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

(1) Allocation of Estimated Retirement Benefits

Estimated retirement benefits are allocated under the benefit formula basis over the period ended March 31, 2016.

(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.

The accounting treatment of unrecognized actuarial differences related to the retirement benefits for the non-consolidated financial statements is different from that for the consolidated financial statements.

### 9. Reserve for Possible Investment Losses

In order to provide for future investment losses, a reserve for possible investment losses of the Parent Company is established for securities whose market 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 of the Company, (1) an estimated amount for future payment out of the total amount of benefits for past service approved by the 105$^{th}$ general meeting of representative policyholders of the Company and (2) an estimated amount for future corporate-pension payments to directors, executive officers, and corporate auditors who retired before the 105$^{th}$ general meeting of representative policyholders of the Company are provided.

### 11. Reserve for Possible Reimbursement of Prescribed Claims

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

### 12. Reserve for Price Fluctuations

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

### 13. Methods for Hedge Accounting

(1) Methods for Hedge Accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan (ASBJ) Statement No.10). Primarily, (a) 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; (b) 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); (c) 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; (d) the deferral hedge method for over-the-counter options on bonds is used for hedges against interest-rate fluctuations in certain foreign currency-denominated bonds; and (e) 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).

(2) Hedging Instruments and Hedged Items

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

(3) Hedging Policies

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

(4) Assessment of Hedge Effectiveness

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

**14. Calculation of National and Local Consumption Tax**

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

**15. Policy Reserve**

Policy reserves of the Company are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

(1) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of the 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.

Effective the fiscal year ended March 31, 2008, for whole life insurance contracts acquired on or before March 31, 1996 for which premium payments were already completed (including lump-sum payments), additional policy reserves are provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act and will be provided over the following nine years. As a result, the amount of the additional provision for policy reserves for the fiscal year ended March 31, 2016 was ¥142,163 million.

## 16. Securities Lending

Securities lent under lending agreements are included in the non-consolidated balance sheet. The total balance of securities lent as of March 31, 2016 was ¥2,230,552 million.

## 17. Problem Loans

As of March 31, 2016, 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 ¥3,513 million. The amount of credits to bankrupt borrowers was ¥93 million, the amount of delinquent loans was ¥3,005 million, the Company held no amount of loans past due for three months or more, and the amount of restructured loans was ¥415 million.

Credits to bankrupt borrowers are loans for which interest is not accrued as income, except for a portion of loans written off, and to which any event specified in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Order for Enforcement of the Corporation Tax Act has occurred. Interest is not accrued as income for the loans since the recovery of principal or interest on the loans is unlikely due to the fact that principal repayments and interest payments are overdue for a significant period of time or for other reasons.

Delinquent loans are 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 above, credits to bankrupt borrowers and delinquent loans decreased by ¥2 million and ¥56 million, respectively.

## 18. Assets and Liabilities Held in Separate Accounts

The total amount of assets held in separate accounts defined in Article 118, Paragraph 1 of the Insurance Business Act was ¥1,042,803 million. Separate account liabilities were the same amount as the separate account assets.

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

The total amounts of receivables from and payables to subsidiaries and affiliated companies were ¥27,653 million and ¥4,599 million, respectively.

## 20. Deferred Tax Accounting

(1) Major components of deferred tax assets and liabilities as of March 31, 2016

(Unit: million yen)

| | |
|---|---|
| Deferred tax assets: | |
| Insurance policy reserve | 434,946 |
| Reserve for employees' retirement benefits | 129,729 |
| Reserve for price fluctuations | 41,484 |
| Impairment losses | 17,178 |
| Losses on valuation of securities | 13,219 |
| Others | 29,997 |
| Subtotal | 666,556 |
| Valuation allowances | (27,575) |
| Total | 638,981 |
| Deferred tax liabilities: | |
| Net unrealized gains on securities, net of tax | (744,651) |
| Reserve for tax basis adjustments of real estate | (9,884) |
| Dividend receivable from domestic stocks | (7,470) |
| Others | (15,671) |
| Total | (777,677) |
| Net deferred tax liabilities | (138,696) |

(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, 2016

| | |
|---|---|
| Statutory tax rate | 28.76 % |
| (Adjustments) | |
| Decrease in deferred tax assets in relation to changes in tax rates | 9.02 % |
| Transfer from reserve for land revaluation | (3.48)% |
| Others | (0.61)% |
| Actual effective tax rate after considering deferred taxes | 33.69 % |

(3) Adjustment of deferred tax assets and liabilities due to changes in effective statutory tax rate

Pursuant to the enactment of the "Act for Partial Amendment of the Income Tax Act, etc." and "Act for Partial Amendment of the Local Tax Act, etc." in the Diet on March 29, 2016, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities has been reduced from 28.76% to 28.16% for the fiscal year beginning on April 1, 2016 or later, and to 27.92% for the fiscal year beginning on April 1, 2018 or later.

As a result, its deferred tax liabilities decreased by ¥5,083 million and corporate income taxes-deferred increased by ¥17,568 million.

## 21. 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 ended March 31, 2016 | 405,566 |
| Dividends paid during the fiscal year ended March 31, 2016 | (121,003) |
| Interest accrual during the fiscal year ended March 31, 2016 | 8,639 |
| Provision for reserve for policyholder dividends | 97,500 |
| Balance as of March 31, 2016 | 390,701 |

## 22. Stock of Subsidiaries and Affiliated Companies

The amount of stocks of subsidiaries and affiliated companies the Company held as of March 31, 2016 was ¥1,127,381 million.

## 23. Organization Change Surplus

The amount of the Company's organization change surplus stipulated in Article 91 of the Insurance Business Act was ¥117,776 million.

**24. Assets Pledged as Collateral / Secured Liabilities**

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

| | (Unit: million yen) |
|---|---:|
| Securities (Government bonds) .............................. | 393,315 |
| Securities (Foreign securities) ................................. | 4,606 |
| Cash and deposits .................................................. | 86 |
| Securities, cash and deposits pledged as collateral | 398,008 |

The amounts of secured liabilities were as follows:

| | (Unit: million yen) |
|---|---:|
| Cash collateral for securities lending transactions ... | 473,284 |

"Securities (Government bonds)" includes securities pledged as collateral for securities lending transactions with cash collateral as of March 31, 2016 for the amount of ¥381,453 million.

**25. Reinsurance**

The amount of reserves for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter "reserves for outstanding claims reinsured") was ¥4 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.

**26. Net Assets per Share**

The amount of net assets per share of the Company was ¥2,616.50.

**27. Securities Borrowing**

Of securities borrowed under borrowing agreements, the market value of the securities which can be sold or pledged as collateral but were not sold nor pledged as of March 31, 2016 was ¥226,969 million, out of which no securities were pledged as collateral.

**28. Commitment Line**

There were unused commitment line agreements under which the Company is the lender of ¥32,391 million.

**29. Subordinated Debt**

Other liabilities included subordinated debt of ¥283,000 million, the repayment of which is subordinated to other obligations.

**30. Subordinated Bonds**

Subordinated bonds recorded in liabilities included foreign currency-denominated subordinated bonds for the amount of ¥215,727 million, the repayment of which is subordinated to other obligations.

**31. Obligations to the Life Insurance Policyholders Protection Corporation of Japan**

The estimated future obligations of the Company to the Life Insurance Policyholders Protection Corporation of Japan under Article 259 of the Insurance Business Act were ¥52,002 million as of March 31, 2016. These obligations will be recognized as operating expenses in the period in which they are paid.

**32. Incentive Programs Granting Employees Company Shares**

Notes to incentive programs granting employees shares of the Company through dedicated trusts are omitted as the same notes are described in the notes to the consolidated financial statements.

**33. Subsequent Event**

The Company intends to shift to a holding company structure (the "Transition"). In connection with the Transition, the Company resolved at its Board of Directors meeting held on April 8, 2016 that its domestic life insurance business will be succeeded by The Dai-ichi Life Split Preparation Company, Limited, a wholly-owned subsidiary of the Company that was incorporated on April 1, 2016 (the "Successor"). Accordingly, the Company concluded a definitive agreement with the Successor with respect to an absorption-type corporate split (the "Agreement") which is expected to become effective on October 1, 2016.

The Agreement and necessary amendments to the Articles of Incorporation of the Company shall become effective subject to the approvals of: (i) the 6th annual general meeting of shareholders to be held on June 24, 2016; and (ii) regulatory authorities.

With effect from October 1, 2016, the Company will become a holding company with a new trade name, “Dai-ichi Life Holdings, Inc.”, and a new corporate purpose of managing the group’s operating companies.

<Overview of the Parties to the Agreement>

| | The Company<br>(as of March 31, 2016) | The Successor<br>(as of April 1, 2016) |
|---|---|---|
| (1) Trade name | The Dai-ichi Life Insurance Company, Limited*1 | The Dai-ichi Life Split Preparation Company, Limited*2 |
| (2) Address | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan | 13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo, Japan |
| (3) Representative | Koichiro Watanabe, President and Representative Director | Yuji Kawazoe, Representative Director |
| (4) Business | Life insurance business | Preparation for undertaking life insurance business, etc. |
| (5) Capital stock | 343,146 million yen | 100 million yen |
| (6) Date of incorporation | September 15, 1902 | April 1, 2016 |
| (7) Number of shares issued | 1,198,023,000 | 10 |
| (8) Fiscal year-end | March 31 | March 31 |
| (9) Major shareholders *3 | Japan Trustee Services Bank, Ltd. (Trust Account): 5.14%<br><br>BNY GCM Client Account JPRD AC ISG (FE-AC): 4.02%<br><br>Mizuho Bank, Ltd: 3.77%<br><br>The Master Trust Bank of Japan, Ltd. (Trust Account): 3.60%<br><br>GOLDMAN SACHS INTERNATIONAL: 2.64% | The Dai-ichi Life Insurance Company, Limited: 100% |

(10) Consolidated results of operations and financial position

| | Fiscal Year ended March 31, 2016 | |
|---|---|---|
| Net assets | 2,932,959 million yen | |
| Total assets | 49,924,922 million yen | |
| Net assets per share | 2,472.86 yen | |
| Ordinary revenues | 7,333,947 million yen | |
| Ordinary profit | 418,166 million yen | |
| Net income attributable to shareholders of Dai-ichi Life | 178,515 million yen | |
| Net income per share | 150.53 yen | |

*1 The trade name will be changed to “Dai-ichi Life Holdings, Inc.” as of October 1, 2016.

*2 The trade name will be changed to “The Dai-ichi Life Insurance Company, Limited” as of October 1, 2016.

*3 The percentage of shares outstanding are calculated by excluding the treasury stock (6,878 thousand shares).

**(NOTES TO THE NON-CONSOLIDATED STATEMENT OF EARNINGS FOR THE FISCAL YEAR ENDED MARCH 31, 2016)**

**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 ¥23,361 million and ¥21,856 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 ¥6,598 million, ¥38,011 million, ¥166,611 million and ¥698 million, respectively.

Losses on sale of securities included losses on sales of domestic bonds, domestic stocks, foreign securities and other securities of ¥464 million, ¥5,017 million, ¥54,989 million and ¥1,987 million, respectively.

Losses on valuation of securities included losses on valuation of domestic stocks and foreign securities of ¥178 million and ¥695 million, respectively.

**3. Reinsurance**

In calculating the provision for reserves for outstanding claims, a reversal of reserves for outstanding claims reinsured of ¥13 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**

Losses on money held in trust included losses on valuation of securities of ¥4,459 million.

**5. Derivative Transaction Gains/Losses**

Derivative transaction losses included valuation losses of ¥22,643 million.

**6. Net Income and Diluted Net Income per Share**

Net income per share for the fiscal year ended March 31, 2016 was ¥108.88. Diluted net income per share for the same period was ¥108.81.

**(NOTES TO THE NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED MARCH 31, 2016)**

## 1. Treasury Stock

(Unit: thousands of shares)

| | Number of shares of treasury stock outstanding at the beginning of the fiscal year ended March 31, 2016 | Increase in treasury stock | Decrease in treasury stock | Number of treasury stock outstanding as of March 31, 2016 |
|---|---|---|---|---|
| Treasury stock<br>Shares of Common Stock | 6,518 | 6,878 | 1,028 | 12,368 |

(*1) 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.

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

(*3) The decrease of 1,028 thousand shares of treasury stock represents the sum of (a) shares granted to eligible employees at retirement by the J-ESOP and (b) 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 under the E-Ship®.