

# FINANCIAL SUMMARY

(For the fiscal year ended March 31, 2016)

<under Japanese GAAP>

May 13, 2016

Name of Company: **T&D Holdings, Inc.**  
 Stock Listings: Tokyo  
 Security Code No.: 8795  
 Head Office: Tokyo, Japan  
 URL: <http://www.td-holdings.co.jp/en/>  
 Date of Ordinary General Meeting of Shareholders: June 28, 2016  
 Projected Filing Date of Securities Report: June 28, 2016  
 Projected Starting Date of Dividend Distribution: June 29, 2016  
 Supplemental Information for Financial Statements: Available  
 Holding of Financial Results Meeting: Yes (for institutional investors and analysts)

## 1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 - March 31, 2016)

### (1) Results of Operations

Note: Amounts of less than one million yen are omitted, and percentages have been rounded to the nearest percent. % changes are presented in comparison with the same term of the previous year.

|                             | Ordinary Revenues  | % change | Ordinary Profit  | % change | Profit Attributable to Owners of Parent | % change |
|-----------------------------|--------------------|----------|------------------|----------|-----------------------------------------|----------|
| FY2015 ended March 31, 2016 | ¥2,025,925 million | (16.0)   | ¥171,434 million | (9.3)    | ¥72,547 million                         | (23.0)   |
| FY2014 ended March 31, 2015 | ¥2,412,165 million | 15.7     | ¥188,943 million | 1.5      | ¥94,215 million                         | 19.3     |

Note: Comprehensive income: ¥(84,492) million (- %) for the fiscal year ended March 31, 2016; ¥351,230 million (up 197.9%) for the fiscal year ended March 31, 2015.

|                             | Net Income per Share | Net Income per Share (Fully Diluted) | Ratio of Net Income to Equity | Ratio of Ordinary Profit to Total Assets | Ratio of Ordinary Profit to Ordinary Revenues |
|-----------------------------|----------------------|--------------------------------------|-------------------------------|------------------------------------------|-----------------------------------------------|
| FY2015 ended March 31, 2016 | ¥111.00              | ¥109.32                              | 5.7%                          | 1.2%                                     | 8.5%                                          |
| FY2014 ended March 31, 2015 | ¥141.35              | ¥141.18                              | 8.0%                          | 1.3%                                     | 7.8%                                          |

Note: Equity in net gain of affiliated companies: ¥46 million for the fiscal year ended March 31, 2016; ¥38 million for the fiscal year ended March 31, 2015.

### (2) Financial Conditions

|                      | Total Assets        | Net Assets         | Equity Ratio | Net Assets per Share |
|----------------------|---------------------|--------------------|--------------|----------------------|
| As of March 31, 2016 | ¥14,674,207 million | ¥1,214,061 million | 8.2%         | ¥1,865.94            |
| As of March 31, 2015 | ¥14,664,705 million | ¥1,344,950 million | 9.1%         | ¥2,018.12            |

Note: Equity as of March 31, 2016: ¥1,210,540 million; as of March 31, 2015: ¥1,341,738 million.

### (3) Results of Cash Flows

|                             | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents at End of Term |
|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|------------------------------------------|
| FY2015 ended March 31, 2016 | ¥309,441 million                     | ¥(18,563) million                    | ¥(64,208) million                    | ¥1,124,922 million                       |
| FY2014 ended March 31, 2015 | ¥616,760 million                     | ¥(467,056) million                   | ¥(76,278) million                    | ¥899,524 million                         |

## 2. Dividends

|                                       | Annual Dividends per Share |                    |                   |          |        | Dividends paid for the Year | Payout Ratio for the Year | Dividends on Net Assets (Consolidated) |
|---------------------------------------|----------------------------|--------------------|-------------------|----------|--------|-----------------------------|---------------------------|----------------------------------------|
|                                       | First Quarter-End          | Second Quarter-End | Third Quarter-End | Year-End | Annual |                             |                           |                                        |
| Year Ended March 31, 2015             | -                          | 0.00               | -                 | ¥25.00   | ¥25.00 | ¥16,621 million             | 17.7%                     | 1.4%                                   |
| Year Ended March 31, 2016             | -                          | 0.00               | -                 | ¥30.00   | ¥30.00 | ¥19,462 million             | 27.0%                     | 1.5%                                   |
| Year Ending March 31, 2017 (Forecast) | -                          | 15.00              | -                 | ¥15.00   | ¥15.00 |                             | 26.7%                     |                                        |

### 3. Consolidated Forecasts for the Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)

Note: % changes are presented in comparison with the same term of the previous year.

|                            | Ordinary Revenues          | Ordinary Profit         | Net Income Attributable to Owners of Parent | Net Income per Share |
|----------------------------|----------------------------|-------------------------|---------------------------------------------|----------------------|
| Year ending March 31, 2017 | ¥1,750,000 million (13.6)% | ¥164,000 million (4.3)% | ¥73,000 million 0.6%                        | ¥112.52              |

#### Notes

(1) Changes in Consolidated Subsidiaries (Changes in Scope of Consolidation): None

(2) Changes in Accounting Principles, Procedures and Presentation Methods for Consolidated Financial Statements:

1. Changes in accounting policies due to the revision of accounting standards and other regulations: Yes
2. Changes other than 1. above: None
3. Changes in accounting estimates: None
4. Restatement of corrections: None

For details, please refer to the Appendix of this material "Financial Summary for the Fiscal Year Ended March 31, 2016" page 16 "Changes in accounting policies."

(3) Number of Outstanding Shares (Common Stock)

1. Number of outstanding shares including treasury stock at the end of the year: as of March 31, 2016: 681,480,000  
as of March 31, 2015: 681,480,000
2. Number of treasury stock at the end of the year: as of March 31, 2016: 32,723,022  
as of March 31, 2015: 16,632,735
3. Average number of outstanding shares during the term: for the year ended March 31, 2016: 653,556,609  
for the year ended March 31, 2015: 666,540,650

\*Information regarding the implementation of audit procedure

This "FINANCIAL SUMMARY" ("Tanshin") is not subject to the audit procedure by external auditors that are based on Financial Instruments and Exchange Act. The audit procedure has not yet finished at the point of releasing this financial summary.

*The forecasts for the year ending March 31, 2017 reflect the Company's current analysis of existing information and trends. T&D Holdings offers no assurance that the forecasts will be realized. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's businesses. For more details on consolidated forecasts, please refer to T&D Holdings' "I. Results of Operation 1. (2) Forecasts for the Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)" on page 3 in the Appendix of this material "Financial Summary for the Fiscal Year Ended March 31, 2016."*

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\*Supplementary materials for financial statements are available on T&D Holdings' website.

## ***I. Results of Operation***

### ***1. Consolidated Results of Operation***

#### ***(1) Consolidated Financial Results for the Year Ended March 31, 2016***

For the fiscal year ended March 31, 2016, ordinary revenues decreased ¥386.2 billion, or 16.0 percent from the previous fiscal year, to ¥2,025.9 billion, which was a total of income from insurance premiums of ¥1,574.5 billion (down 19.6 percent), investment income of ¥379.7 billion (down 1.2 percent), other ordinary income of ¥71.6 billion (up 2.6 percent) and others.

Ordinary expenses decreased ¥368.7 billion, or 16.6 percent from the previous fiscal year to ¥1,854.4 billion, which was a total of insurance claims and other payments of ¥1,302.8 billion (down 7.0 percent), provision for policy and other reserves of ¥194.3 billion (down 59.9 percent), investment expenses of ¥77.4 billion (up 16.6 percent), operating expenses of ¥198.9 billion (down 0.2 percent) and other ordinary expenses of ¥80.7 billion (up 14.2 percent).

As a result, ordinary profit decreased 9.3 percent from the previous fiscal year, to ¥171.4 billion. Extraordinary gains decreased 27.5 percent to ¥0.1 billion and extraordinary losses increased 253.3 percent to ¥29.4 billion. After accounting for extraordinary gains and losses, the provision for reserve for policyholder dividends, and income taxes, profit attributable to owners of parent decreased ¥21.6 billion, or 23.0 percent from the previous fiscal year, to ¥72.5 billion.

Comprehensive income was negative ¥84.4 billion compared to ¥351.2 billion of the previous fiscal year, which was a total of profit of ¥72.7 billion (down 22.9 percent) and other comprehensive income of negative ¥157.2 billion (previous fiscal year was ¥256.8 billion).

#### ***(i) Ordinary Revenues***

(Billions of yen)

|                    | Year ended<br>March 31, 2016 | Year ended<br>March 31, 2015 | Increase<br>(decrease) |
|--------------------|------------------------------|------------------------------|------------------------|
| Consolidated       | 2,025.9                      | 2,412.1                      | (386.2)                |
| Taiyo Life         | 873.8                        | 1,061.1                      | (187.2)                |
| Daido Life         | 935.7                        | 981.0                        | (45.3)                 |
| T&D Financial Life | 218.0                        | 382.1                        | (164.0)                |

*Note: Consolidated amount does not equal to the sum of three companies because the consolidated amount includes the ordinary revenues of its subsidiaries other than three companies as well as consolidated adjustments.*

#### ***(ii) Ordinary Profit***

(Billions of yen)

|                    | Year ended<br>March 31, 2016 | Year ended<br>March 31, 2015 | Increase<br>(decrease) |
|--------------------|------------------------------|------------------------------|------------------------|
| Consolidated       | 171.4                        | 188.9                        | (17.5)                 |
| Taiyo Life         | 79.1                         | 67.6                         | 11.5                   |
| Daido Life         | 90.3                         | 97.4                         | (7.1)                  |
| T&D Financial Life | 1.2                          | 22.4                         | (21.2)                 |

*Note: Consolidated amount does not equal to the sum of three companies because the consolidated amount includes the ordinary profit of its subsidiaries other than three companies as well as consolidated adjustments.*

**(iii) Profit attributable to owners of parent**

(Billions of yen)

|                    | Year ended<br>March 31, 2016 | Year ended<br>March 31, 2015 | Increase<br>(decrease) |
|--------------------|------------------------------|------------------------------|------------------------|
| Consolidated       | 72.5                         | 94.2                         | (21.6)                 |
| Taiyo Life         | 26.8                         | 27.9                         | (1.1)                  |
| Daido Life         | 54.4                         | 51.1                         | 3.2                    |
| T&D Financial Life | 0.4                          | 14.6                         | (14.1)                 |

Note 1. Consolidated amount does not equal to the sum of three companies because the consolidated amount includes the net income of its subsidiaries other than three companies as well as consolidated adjustments.

2. Figures for the three life insurance companies are net profit.

**(2) Forecasts for the Year Ending March 31, 2017 (April 1, 2016 - March 31, 2017)**

**Consolidated**

(Billions of yen)

|          | Ordinary revenues | Ordinary profit | Profit attributable to<br>owners of parent |
|----------|-------------------|-----------------|--------------------------------------------|
| Year-end | 1,750             | 164             | 73                                         |
| Change   | (13.6%)           | (4.3%)          | 0.6%                                       |

Note: "Change" represents the amount change from the same term of the previous year.

Ordinary revenues are expected to be ¥1,750 billion, a decrease of approximately ¥280 billion or 13.6 percent from the fiscal year ended March 31, 2016. Ordinary profit is expected to be ¥164 billion, a decrease of approximately ¥7 billion or 4.3 percent from the fiscal year ended March 31, 2016. After accounting for extraordinary gains and losses, the provision for reserve for policyholder dividends, and income taxes, profit attributable to owners of parent is expected to be ¥73 billion, an increase of approximately ¥0.5 billion or 0.6 percent from the fiscal year ended March 31, 2016.

**2. Consolidated Financial Position**

**(1) Balance Sheet**

As of March 31, 2016, total assets was ¥14,674.2 billion (up 0.1 percent from March 31, 2015).

The main components of the total assets were securities of ¥10,492.6 billion (down 3.3 percent) which mainly consists of public and corporate bonds, loans of ¥1,767.8 billion (down 5.1 percent), cash and deposits of ¥1,024.6 billion (up 206.6 percent), monetary trusts of ¥525.9 billion (up 20.2 percent), and tangible assets of ¥315.4 billion (up 4.8 percent).

Total liabilities were ¥13,460.1 billion (up 1.1 percent). Policy reserves accounting for a substantial portion of total liabilities were ¥12,892.4 billion (up 1.5 percent).

Total net assets were ¥1,214.0 billion (down 9.7 percent) of which net unrealized gains on securities were ¥487.2 billion (down 25.0 percent).

As of March 31, 2016, consolidated solvency margin ratio (a measure of insurance companies' financial soundness) was 1,155.8 percent (1,220.7 percent at the end of the previous fiscal year) and the amount of consolidated adjusted net assets was ¥2,927.6 billion (¥2,645.5 billion at the end of the previous fiscal year).

For details on consolidated solvency margin ratio, please refer to “V. Others (Reference) Status of Insurance Claims Paying Ability (Consolidated Solvency Margin Ratio)” on page 22 in the Appendix of this material “Financial Summary for the Fiscal Year Ended March 31, 2016”.

## **(2) Cash Flows**

Cash flows for the fiscal year ended March 31, 2016, were as follows.

Net cash provided by operating activities was ¥309.4 billion, a decrease of ¥307.3 billion from the previous fiscal year.

Net cash used in investing activities was ¥18.5 billion, a decrease of ¥448.4 billion from the previous fiscal year.

Net cash used by financing activities was ¥64.2 billion, a decrease of ¥12.0 billion from the level of the previous fiscal year.

As a result, cash and cash equivalents as of March 31, 2016 totaled ¥1,124.9 billion (¥899.5 billion at the end of the previous fiscal year), an increase of ¥225.3 billion from the beginning of the fiscal year.

## ***II. Management Principles and Goals***

### ***1. Corporate Philosophy and Management Vision***

With our “Try & Discover” motto for creating value, the T&D Life Group (Group) aims to be a group that contributes to all people and societies. The Group’s two management visions are as follows:

«From the customer’s point of view»

Aim to provide the best products and services to increase customer satisfaction.

«From the shareholder's, investor's and market’s point of view»

Aim to be a major life insurance group with a strong presence in the market by increasing the corporate value stably and sustainably through the new challenges for the growth.

### ***2. Management Goals***

The Group aims to sustain the growth of its Embedded Value (EV)\*, which is a yardstick to evaluate the corporate value of a life insurance company. Crucial challenges for the sustainable growth of the EV are the “solid growth in the new policy amount and the expansion of the policy amount in force”, “appropriate profit/risk management”, and “attainment of higher managerial efficiency.” Based on a time-driven management style, the Group will meet the said challenges and strive to enhance its corporate value.

\* Embedded value (EV) is one of the indices in evaluating the corporate value of life insurance companies which is the sum of adjusted net worth calculated from the balance sheet, which is considered as attributable to shareholders, and value of in-force business calculated from existing policies in force.

### ***3. Medium- to Long-Term Management Strategy***

The Group is pursuing to increase the satisfaction of all stakeholders by contributing in solving social issues through life insurance business. For the realization of this goal, we will promote the following initiatives.

- (1) Fulfill the responsibilities of the public mission of life insurance business and corporate social responsibility for the society including our customers and shareholders.
- (2) Provide products and services which match the customer needs accurately, promptly, kindly and carefully.
- (3) Position the domestic life insurance business as the core and maintain and develop the group management where Group’s each subsidiary company can maximize its strength under the holding company.
- (4) Pursue opportunities for alliance and M&A in order to strengthen and expand the core domestic life insurance business.
- (5) By utilizing the integrated management of profit, risk, and capital strategically, secure financial soundness and improve capital efficiency.

### ***4. Future Tasks***

Japanese economy’s gradual recovery is expected to continue amid an improvement in employment and personal income together with the effect of economic policies. On the other hand,

there are still concerns that a downturn in overseas economy such as developing and resource-rich nations could put a downward pressure on the domestic economy.

Under such circumstances, the domestic long-term government bond yields have declined further due to the decision of the introduction of negative interest rate policy by the Bank of Japan in January 2016. As a life insurance company, further sophistication in product strategy and asset management strategy becomes necessary.

Considering the current economic environment, the Group will continue to realize the stable and sustainable increase of corporate value by promoting growth through the domestic life insurance business which is the Group's core business, based on the business platform strengthened during the period of the previous medium-term management plan.

### ***III. Basic Considerations in the Selection of Accounting Policies***

The Group applies Japanese Generally Accepted Accounting Principles (J-GAAP).

The Group is gathering information to prepare for the future application of International Financial Reporting Standards (IFRS). However, actual application of IFRS will be considered based on the situations such as the status of deliberation of IFRS4 "Insurance Contracts", which will have a significant impact on insurance companies, and the comparability with our peer companies

## IV. Unaudited Consolidated Financial Statements

### 1. Unaudited Consolidated Balance Sheet

| As of March 31,                  | (Millions of yen)   |                     | (Thousands of U.S. dollars) |
|----------------------------------|---------------------|---------------------|-----------------------------|
|                                  | 2016                | 2015                | 2016                        |
| <b>Assets:</b>                   |                     |                     |                             |
| Cash and deposits                | ¥ 1,024,692         | ¥ 334,191           | \$ 9,093,831                |
| Call loans                       | 2,673               | 329,876             | 23,722                      |
| Monetary claims purchased        | 269,668             | 339,927             | 2,393,227                   |
| Monetary trusts                  | 525,902             | 437,622             | 4,667,221                   |
| Securities                       | 10,492,605          | 10,847,399          | 93,118,617                  |
| Loans                            | 1,767,891           | 1,863,837           | 15,689,487                  |
| Tangible fixed assets:           |                     |                     |                             |
| Land                             | 175,322             | 173,662             | 1,555,936                   |
| Buildings                        | 120,846             | 106,846             | 1,072,475                   |
| Lease assets                     | 932                 | 676                 | 8,279                       |
| Construction in progress         | 15,124              | 17,526              | 134,225                     |
| Other tangible fixed assets      | 3,248               | 2,445               | 28,827                      |
| Total tangible fixed assets      | 315,475             | 301,158             | 2,799,745                   |
| Intangible fixed assets:         |                     |                     |                             |
| Software                         | 22,472              | 19,811              | 199,435                     |
| Lease assets                     | 377                 | 4                   | 3,349                       |
| Other intangible fixed assets    | 1,177               | 1,252               | 10,451                      |
| Total intangible fixed assets    | 24,027              | 21,068              | 213,236                     |
| Due from agencies                | 746                 | 746                 | 6,629                       |
| Due from reinsurers              | 691                 | 405                 | 6,140                       |
| Other assets                     | 251,286             | 190,196             | 2,230,087                   |
| Deferred tax assets              | 602                 | 501                 | 5,349                       |
| Reserve for possible loan losses | (2,057)             | (2,225)             | (18,258)                    |
| <b>Total assets</b>              | <b>¥ 14,674,207</b> | <b>¥ 14,664,705</b> | <b>\$ 130,229,036</b>       |

| As of March 31,                                                                         | (Millions of yen)   |                     | (Thousands of<br>U.S. dollars) |
|-----------------------------------------------------------------------------------------|---------------------|---------------------|--------------------------------|
|                                                                                         | 2016                | 2015                | 2016                           |
| <b>Liabilities:</b>                                                                     |                     |                     |                                |
| Policy reserves:                                                                        |                     |                     |                                |
| Reserve for outstanding claims                                                          | ¥ 67,914            | ¥ 73,102            | \$ 602,715                     |
| Policy reserve                                                                          | 12,719,256          | 12,524,934          | 112,879,449                    |
| Reserve for policyholder dividends                                                      | 105,311             | 109,920             | 934,610                        |
| Total policy reserves                                                                   | 12,892,482          | 12,707,957          | 114,416,775                    |
| Due to agencies                                                                         | 630                 | 1,009               | 5,595                          |
| Due to reinsurers                                                                       | 641                 | 554                 | 5,689                          |
| Short-term debentures                                                                   | 2,999               | 2,999               | 26,623                         |
| Bonds                                                                                   | 50,125              | 51,100              | 444,843                        |
| Other liabilities                                                                       | 252,087             | 248,940             | 2,237,199                      |
| Reserve for bonus to directors and<br>audit & supervisory board members                 | 281                 | 243                 | 2,496                          |
| Net defined benefit liability                                                           | 59,730              | 50,271              | 530,092                        |
| Reserve for directors' and audit &<br>supervisory board members' retirement<br>benefits | 78                  | 67                  | 700                            |
| Reserve for price fluctuations                                                          | 175,759             | 155,190             | 1,559,812                      |
| Deferred tax liabilities                                                                | 19,894              | 95,824              | 176,554                        |
| Deferred tax liabilities on land<br>revaluation                                         | 5,434               | 5,598               | 48,229                         |
| <b>Total liabilities</b>                                                                | <b>13,460,145</b>   | <b>13,319,755</b>   | <b>119,454,614</b>             |
| <b>Net assets:</b>                                                                      |                     |                     |                                |
| Common stock                                                                            | 207,111             | 207,111             | 1,838,053                      |
| Capital surplus                                                                         | 194,550             | 194,586             | 1,726,577                      |
| Retained earnings                                                                       | 422,422             | 366,747             | 3,748,869                      |
| Treasury stock                                                                          | (48,876)            | (19,008)            | (433,767)                      |
| Total stockholders' equity                                                              | 775,208             | 749,436             | 6,879,733                      |
| Net unrealized gains (losses) on<br>securities                                          | 487,200             | 649,716             | 4,323,753                      |
| Deferred gains (losses) on hedging<br>instruments                                       | (8,601)             | (13,741)            | (76,338)                       |
| Land revaluation                                                                        | (43,288)            | (43,694)            | (384,169)                      |
| Foreign currency translation adjustments                                                | 21                  | 21                  | 189                            |
| Total accumulated other comprehensive<br>income                                         | 435,331             | 592,301             | 3,863,435                      |
| Subscription rights to shares                                                           | 926                 | 746                 | 8,221                          |
| Non-controlling interests                                                               | 2,595               | 2,465               | 23,031                         |
| <b>Total net assets</b>                                                                 | <b>1,214,061</b>    | <b>1,344,950</b>    | <b>10,774,422</b>              |
| <b>Total liabilities and net assets</b>                                                 | <b>¥ 14,674,207</b> | <b>¥ 14,664,705</b> | <b>\$ 130,229,036</b>          |

## 2. Unaudited Consolidated Statement of Operation and Unaudited Consolidated Statement of Comprehensive Income

### Unaudited Consolidated Statement of Operation

| Years ended March 31,                                    | (Millions of yen) |                  | (Thousands of U.S. dollars) |  |
|----------------------------------------------------------|-------------------|------------------|-----------------------------|--|
|                                                          | 2016              | 2015             | 2016                        |  |
| <b>Ordinary revenues:</b>                                |                   |                  |                             |  |
| Income from insurance premiums                           | ¥ 1,574,506       | ¥ 1,958,055      | \$ 13,973,252               |  |
| Investment income:                                       |                   |                  |                             |  |
| Interest, dividends and income from real estate for rent | 290,725           | 287,966          | 2,580,094                   |  |
| Gains from monetary trusts, net                          | 5,172             | -                | 45,900                      |  |
| Gains on investments in trading securities, net          | -                 | 20,056           | -                           |  |
| Gains on sales of securities                             | 77,403            | 34,433           | 686,930                     |  |
| Gains on redemption of securities                        | 3,198             | -                | 28,385                      |  |
| Foreign Exchange gains, net                              | 801               | 1,606            | 7,110                       |  |
| Reversal of reserve for possible loan losses             | 137               | 148              | 1,223                       |  |
| Other investment income                                  | 2,268             | 4,557            | 20,136                      |  |
| Gains on separate accounts, net                          | -                 | 35,455           | -                           |  |
| Total investment income                                  | 379,707           | 384,223          | 3,369,781                   |  |
| Other ordinary income:                                   |                   |                  |                             |  |
| Other ordinary income                                    | 71,665            | 69,847           | 636,010                     |  |
| Total other ordinary income                              | 71,665            | 69,847           | 636,010                     |  |
| Equity in net income of affiliated companies             | 46                | 38               | 413                         |  |
| <b>Total ordinary revenues</b>                           | <b>2,025,925</b>  | <b>2,412,165</b> | <b>17,979,458</b>           |  |
| <b>Ordinary expenses:</b>                                |                   |                  |                             |  |
| Insurance claims and other payments:                     |                   |                  |                             |  |
| Insurance claims                                         | 376,421           | 355,635          | 3,340,627                   |  |
| Annuity payments                                         | 349,387           | 457,550          | 3,100,706                   |  |
| Insurance benefits                                       | 163,812           | 177,425          | 1,453,784                   |  |
| Surrender payments                                       | 341,583           | 351,229          | 3,031,448                   |  |
| Other payments                                           | 71,693            | 59,692           | 636,256                     |  |
| Total insurance claims and other payments                | 1,302,899         | 1,401,534        | 11,562,824                  |  |
| Provision for policy and other reserves:                 |                   |                  |                             |  |
| Provision for reserve for outstanding claims             | -                 | 2,423            | -                           |  |
| Provision for policy reserve                             | 194,321           | 482,607          | 1,724,545                   |  |
| Interest portion of reserve for policyholder dividends   | 65                | 108              | 582                         |  |
| Total provision for policy and other reserves            | 194,387           | 485,139          | 1,725,128                   |  |
| Investment expenses:                                     |                   |                  |                             |  |
| Interest expenses                                        | 909               | 1,841            | 8,069                       |  |
| Losses from monetary trusts, net                         | -                 | 1,744            | -                           |  |
| Losses on investments in trading securities, net         | 7,823             | -                | 69,427                      |  |
| Losses on sales of securities                            | 16,357            | 6,972            | 145,165                     |  |
| Devaluation losses on securities                         | 4,101             | 1,065            | 36,402                      |  |
| Losses from derivatives, net                             | 22,180            | 33,948           | 196,842                     |  |
| Write-off of loans                                       | 4                 | 6                | 43                          |  |
| Depreciation of real estate for rent                     | 4,991             | 5,176            | 44,297                      |  |
| Other investment expenses                                | 15,533            | 15,672           | 137,858                     |  |
| Losses on separate accounts, net                         | 5,575             | -                | 49,481                      |  |
| Total investment expenses                                | 77,477            | 66,427           | 687,588                     |  |
| Operating expenses                                       | 198,999           | 199,435          | 1,766,060                   |  |
| Other ordinary expenses                                  | 80,727            | 70,686           | 716,429                     |  |
| <b>Total ordinary expenses</b>                           | <b>1,854,490</b>  | <b>2,223,222</b> | <b>16,458,030</b>           |  |
| <b>Ordinary profit</b>                                   | <b>¥ 171,434</b>  | <b>¥ 188,943</b> | <b>\$ 1,521,427</b>         |  |

| Years ended March 31,                                   | (Millions of yen) |                 | (Thousands of U.S. dollars) |
|---------------------------------------------------------|-------------------|-----------------|-----------------------------|
|                                                         | 2016              | 2015            | 2016                        |
| <b>Extraordinary gains:</b>                             |                   |                 |                             |
| Gains on disposal of fixed assets                       | ¥ 4               | ¥ 67            | \$ 43                       |
| State subsidy                                           | 158               | 55              | 1,410                       |
| Compensation for transfer                               | -                 | 102             | -                           |
| <b>Total extraordinary gains</b>                        | <b>163</b>        | <b>225</b>      | <b>1,453</b>                |
| <b>Extraordinary losses:</b>                            |                   |                 |                             |
| Losses on disposal of fixed assets                      | 1,356             | 1,028           | 12,034                      |
| Impairment losses                                       | 4,203             | 1,995           | 37,307                      |
| Provision for reserve for price fluctuations            | 20,568            | 5,150           | 182,540                     |
| Head office transfer cost                               | 2,591             | 99              | 22,997                      |
| Other extraordinary losses                              | 718               | 56              | 6,377                       |
| <b>Total extraordinary losses</b>                       | <b>29,438</b>     | <b>8,331</b>    | <b>261,257</b>              |
| <b>Provision for reserve for policyholder dividends</b> | <b>31,920</b>     | <b>32,555</b>   | <b>283,281</b>              |
| <b>Income before income taxes</b>                       | <b>110,239</b>    | <b>148,281</b>  | <b>978,342</b>              |
| <b>Income taxes:</b>                                    |                   |                 |                             |
| Current                                                 | 46,075            | 44,147          | 408,902                     |
| Deferred                                                | (8,561)           | 9,755           | (75,984)                    |
| <b>Total income taxes</b>                               | <b>37,513</b>     | <b>53,903</b>   | <b>332,918</b>              |
| <b>Profit</b>                                           | <b>72,726</b>     | <b>94,378</b>   | <b>645,423</b>              |
| <b>Profit attributable to non-controlling interests</b> | <b>179</b>        | <b>163</b>      | <b>1,590</b>                |
| <b>Profit attributable to owners of parent</b>          | <b>¥ 72,547</b>   | <b>¥ 94,215</b> | <b>\$ 643,833</b>           |

## Unaudited Consolidated Statements of Comprehensive Income

| Years ended March 31,                                                                   | (Millions of yen) |                  | (Thousands of U.S. dollars) |
|-----------------------------------------------------------------------------------------|-------------------|------------------|-----------------------------|
|                                                                                         | 2016              | 2015             | 2016                        |
| <b>Profit</b>                                                                           | <b>¥ 72,726</b>   | <b>¥ 94,378</b>  | <b>\$ 645,423</b>           |
| <b>Other comprehensive income:</b>                                                      |                   |                  |                             |
| Net unrealized gains on securities                                                      | (162,509)         | 261,950          | (1,442,224)                 |
| Deferred gains on hedging instruments                                                   | 5,139             | (5,478)          | 45,615                      |
| Land revaluation                                                                        | 155               | 369              | 1,377                       |
| Foreign currency translation adjustments                                                | 0                 | 0                | 0                           |
| Share of other comprehensive income of associates accounted for using the equity method | (4)               | 9                | (41)                        |
| <b>Total other comprehensive income</b>                                                 | <b>(157,219)</b>  | <b>256,851</b>   | <b>(1,395,272)</b>          |
| <b>Comprehensive income</b>                                                             | <b>¥ (84,492)</b> | <b>¥ 351,230</b> | <b>\$ (749,848)</b>         |
| (Breakdown)                                                                             |                   |                  |                             |
| Comprehensive income attributable to owners of parent                                   | (84,673)          | 351,065          | (751,451)                   |
| Comprehensive income attributable to non-controlling interests                          | 180               | 165              | 1,602                       |

### 3. Unaudited Consolidated Statements of Changes in Net Assets

|                                                      |                      |                 |                   |                |                            | <i>(Millions of yen)</i>               |                                               |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|----------------------------------------|-----------------------------------------------|
|                                                      | Stockholders' equity |                 |                   |                |                            | Accumulated other comprehensive income |                                               |
|                                                      | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity | Net unrealized gains on securities     | Deferred gains(losses) on hedging instruments |
| Year ended March 31, 2015                            |                      |                 |                   |                |                            |                                        |                                               |
| Balance at the beginning of the year                 | ¥ 207,111            | ¥ 194,595       | ¥ 290,861         | ¥ (9,049)      | ¥ 683,519                  | ¥ 387,773                              | ¥ (8,263)                                     |
| Changes in the period                                |                      |                 |                   |                |                            |                                        |                                               |
| Dividends                                            |                      |                 | (16,806)          |                | (16,806)                   |                                        |                                               |
| Net income                                           |                      |                 | 94,215            |                | 94,215                     |                                        |                                               |
| Acquisition of treasury stock                        |                      |                 |                   | (10,010)       | (10,010)                   |                                        |                                               |
| Disposal of treasury stock                           |                      | (9)             |                   | 51             | 41                         |                                        |                                               |
| Reversal of land revaluation                         |                      |                 | (1,523)           |                | (1,523)                    |                                        |                                               |
| Net changes of items other than stockholders' equity |                      |                 |                   |                |                            | 261,943                                | (5,478)                                       |
| Total changes in the period                          |                      | (9)             | 75,885            | (9,959)        | 65,917                     | 261,943                                | (5,478)                                       |
| Balance at the end of the year                       | ¥ 207,111            | ¥ 194,586       | ¥ 366,747         | ¥ (19,008)     | ¥ 749,436                  | ¥ 649,716                              | ¥ (13,741)                                    |

|                                                      |                                        |                                          |                                              |                               |                    |                  | <i>(Millions of yen)</i> |
|------------------------------------------------------|----------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------|--------------------|------------------|--------------------------|
|                                                      | Accumulated other comprehensive income |                                          |                                              |                               |                    |                  |                          |
|                                                      | Land revaluation                       | Foreign currency translation adjustments | Total accumulated other comprehensive income | Subscription rights to shares | Minority interests | Total net assets |                          |
| Year ended March 31, 2015                            |                                        |                                          |                                              |                               |                    |                  |                          |
| Balance at the beginning of the year                 | ¥ (45,586)                             | ¥ 6                                      | ¥ 333,929                                    | ¥ 523                         | ¥ 2,352            | ¥ 1,020,324      |                          |
| Changes in the period                                |                                        |                                          |                                              |                               |                    |                  |                          |
| Dividends                                            |                                        |                                          |                                              |                               |                    |                  | (16,806)                 |
| Net income                                           |                                        |                                          |                                              |                               |                    |                  | 94,215                   |
| Acquisition of treasury stock                        |                                        |                                          |                                              |                               |                    |                  | (10,010)                 |
| Disposal of treasury stock                           |                                        |                                          |                                              |                               |                    |                  | 41                       |
| Reversal of land revaluation                         |                                        |                                          |                                              |                               |                    |                  | (1,523)                  |
| Net changes of items other than stockholders' equity | 1,892                                  | 15                                       | 258,372                                      | 222                           | 113                | 258,708          |                          |
| Total changes in the period                          | 1,892                                  | 15                                       | 258,372                                      | 222                           | 113                | 324,625          |                          |
| Balance at the end of the year                       | ¥ (43,694)                             | ¥ 21                                     | ¥ 592,301                                    | ¥ 746                         | ¥ 2,465            | ¥ 1,344,950      |                          |

|                                                      |                      |                 |                   |                |                            | <i>(Millions of yen)</i>               |                                               |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|----------------------------------------|-----------------------------------------------|
|                                                      | Stockholders' equity |                 |                   |                |                            | Accumulated other comprehensive income |                                               |
|                                                      | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity | Net unrealized gains on securities     | Deferred gains(losses) on hedging instruments |
| Year ended March 31, 2016                            |                      |                 |                   |                |                            |                                        |                                               |
| Balance at the beginning of the year                 | ¥ 207,111            | ¥ 194,586       | ¥ 366,747         | ¥ (19,008)     | ¥ 749,436                  | ¥ 649,716                              | ¥ (13,741)                                    |
| Changes in the period                                |                      |                 |                   |                |                            |                                        |                                               |
| Dividends                                            |                      |                 | (16,621)          |                | (16,621)                   |                                        |                                               |
| Net income                                           |                      |                 | 72,547            |                | 72,547                     |                                        |                                               |
| Acquisition of treasury stock                        |                      |                 |                   | (30,015)       | (30,015)                   |                                        |                                               |
| Disposal of treasury stock                           |                      | (35)            |                   | 147            | 111                        |                                        |                                               |
| Reversal of land revaluation                         |                      |                 | (250)             |                | (250)                      |                                        |                                               |
| Net changes of items other than stockholders' equity |                      |                 |                   |                |                            | (162,515)                              | 5,139                                         |
| Total changes in the period                          |                      | (35)            | 55,675            | (29,868)       | 25,771                     | (162,515)                              | 5,139                                         |
| Balance at the end of the year                       | ¥ 207,111            | ¥ 194,550       | ¥ 422,422         | ¥ (48,876)     | ¥ 775,208                  | ¥ 487,200                              | ¥ (8,601)                                     |

|                                                      | <i>(Millions of yen)</i>               |                                          |                                              |                               |                    |                  |
|------------------------------------------------------|----------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------|--------------------|------------------|
|                                                      | Accumulated other comprehensive income |                                          |                                              | Subscription rights to shares | Minority interests | Total net assets |
|                                                      | Land revaluation                       | Foreign currency translation adjustments | Total accumulated other comprehensive income |                               |                    |                  |
| Year ended March 31, 2016                            |                                        |                                          |                                              |                               |                    |                  |
| Balance at the beginning of the year                 | ¥ (43,694)                             | ¥ 21                                     | ¥ 592,301                                    | ¥ 746                         | ¥ 2,465            | ¥ 1,344,950      |
| Changes in the period                                |                                        |                                          |                                              |                               |                    |                  |
| Dividends                                            |                                        |                                          |                                              |                               |                    | (16,621)         |
| Net income                                           |                                        |                                          |                                              |                               |                    | 72,547           |
| Acquisition of treasury stock                        |                                        |                                          |                                              |                               |                    | (30,015)         |
| Disposal of treasury stock                           |                                        |                                          |                                              |                               |                    | 111              |
| Reversal of land revaluation                         |                                        |                                          |                                              |                               |                    | (250)            |
| Net changes of items other than stockholders' equity | 405                                    | 0                                        | (156,970)                                    | 180                           | 129                | (156,660)        |
| Total changes in the period                          | 405                                    | 0                                        | (156,970)                                    | 180                           | 129                | (130,888)        |
| Balance at the end of the year                       | ¥ (43,288)                             | ¥ 21                                     | ¥ 435,331                                    | ¥ 926                         | ¥ 2,595            | ¥ 1,214,061      |

| <i>(Thousands of U.S. dollars)</i>                   |                      |                 |                   |                |                            |                                        |                                               |
|------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|----------------------------------------|-----------------------------------------------|
|                                                      | Stockholders' equity |                 |                   |                |                            | Accumulated other comprehensive income |                                               |
|                                                      | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total stockholders' equity | Net unrealized gains on securities     | Deferred gains(losses) on hedging instruments |
| Year ended March 31, 2016                            |                      |                 |                   |                |                            |                                        |                                               |
| Balance at the beginning of the year                 | \$ 1,838,053         | \$ 1,726,891    | \$ 3,254,767      | \$ (168,697)   | \$ 6,651,015               | \$ 5,766,032                           | \$ (121,954)                                  |
| Changes in the period                                |                      |                 |                   |                |                            |                                        |                                               |
| Dividends                                            |                      |                 | (147,507)         |                | (147,507)                  |                                        |                                               |
| Net income                                           |                      |                 | 643,833           |                | 643,833                    |                                        |                                               |
| Acquisition of treasury stock                        |                      |                 |                   | (266,375)      | (266,375)                  |                                        |                                               |
| Disposal of treasury stock                           |                      | (313)           |                   | 1,305          | 992                        |                                        |                                               |
| Reversal of land revaluation                         |                      |                 | (2,224)           |                | (2,224)                    |                                        |                                               |
| Net changes of items other than stockholders' equity |                      |                 |                   |                |                            | (1,442,279)                            | 45,615                                        |
| Total changes in the period                          |                      | (313)           | 494,101           | (265,069)      | 228,718                    | (1,442,279)                            | 45,615                                        |
| Balance at the end of the year                       | \$ 1,838,053         | \$ 1,726,577    | \$ 3,748,869      | \$ (433,767)   | \$ 6,879,733               | \$ 4,323,753                           | \$ (76,338)                                   |

| <i>(Thousands of U.S. dollars)</i>                   |                                        |                                          |                                              |                               |                    |                  |
|------------------------------------------------------|----------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------|--------------------|------------------|
|                                                      | Accumulated other comprehensive income |                                          |                                              |                               |                    |                  |
|                                                      | Land revaluation                       | Foreign currency translation adjustments | Total accumulated other comprehensive income | Subscription rights to shares | Minority interests | Total net assets |
| Year ended March 31, 2016                            |                                        |                                          |                                              |                               |                    |                  |
| Balance at the beginning of the year                 | \$ (387,771)                           | \$ 189                                   | \$ 5,256,496                                 | \$ 6,620                      | \$ 21,882          | \$ 11,936,014    |
| Changes in the period                                |                                        |                                          |                                              |                               |                    |                  |
| Dividends                                            |                                        |                                          |                                              |                               |                    | (147,507)        |
| Net income                                           |                                        |                                          |                                              |                               |                    | 643,833          |
| Acquisition of treasury stock                        |                                        |                                          |                                              |                               |                    | (266,375)        |
| Disposal of treasury stock                           |                                        |                                          |                                              |                               |                    | 992              |
| Reversal of land revaluation                         |                                        |                                          |                                              |                               |                    | (2,224)          |
| Net changes of items other than stockholders' equity | 3,602                                  | 0                                        | (1,393,060)                                  | 1,600                         | 1,149              | (1,390,310)      |
| Total changes in the period                          | 3,602                                  | 0                                        | (1,393,060)                                  | 1,600                         | 1,149              | (1,161,591)      |
| Balance at the end of the year                       | \$ (384,169)                           | \$ 189                                   | \$ 3,863,435                                 | \$ 8,221                      | \$ 23,031          | \$ 10,774,422    |

#### 4. Unaudited Consolidated Statement of Cash Flows

| Years ended March 31,                                                                                               | (Millions of yen) |                  | (Thousands of U.S. dollars) |  |
|---------------------------------------------------------------------------------------------------------------------|-------------------|------------------|-----------------------------|--|
|                                                                                                                     | 2016              | 2015             | 2016                        |  |
| <b>Cash flows from operating activities:</b>                                                                        |                   |                  |                             |  |
| Income before income taxes                                                                                          | ¥ 110,239         | ¥ 148,281        | \$ 978,342                  |  |
| Depreciation of real estate for rent                                                                                | 4,991             | 5,176            | 44,297                      |  |
| Other depreciation and amortization                                                                                 | 10,254            | 10,305           | 91,008                      |  |
| Impairment losses                                                                                                   | 4,203             | 1,995            | 37,307                      |  |
| Increase (decrease) in reserve for outstanding claims                                                               | (5,188)           | 2,423            | (46,044)                    |  |
| Increase (decrease) in policy reserve                                                                               | 194,321           | 482,607          | 1,724,545                   |  |
| Interest portion of reserve for policyholder dividends                                                              | 65                | 108              | 582                         |  |
| Provision for reserve for (reversal of) policyholder dividends                                                      | 31,920            | 32,555           | 283,281                     |  |
| Increase (decrease) in reserve for possible loan losses                                                             | (166)             | (155)            | (1,480)                     |  |
| Increase (decrease) in reserve for bonus to directors and audit & supervisory board members                         | 38                | (18)             | 339                         |  |
| Increase (decrease) in net defined benefit liability                                                                | 9,459             | (1,385)          | 83,951                      |  |
| Increase (decrease) in reserve for directors' and audit & supervisory board members' retirement benefits            | 11                | 1                | 103                         |  |
| Increase (decrease) in reserve for price fluctuations                                                               | 20,568            | 5,150            | 182,540                     |  |
| Interest, dividends and income from real estate for rent                                                            | (290,725)         | (287,966)        | (2,580,094)                 |  |
| Losses (gains) on investment securities                                                                             | (46,744)          | (81,906)         | (414,839)                   |  |
| Interest expenses                                                                                                   | 909               | 1,841            | 8,069                       |  |
| Exchange losses (gains)                                                                                             | (1,257)           | (1,541)          | (11,157)                    |  |
| Losses (gains) on disposal of tangible fixed assets                                                                 | 1,294             | 921              | 11,488                      |  |
| Equity in losses (income) of affiliated companies                                                                   | (46)              | (38)             | (413)                       |  |
| Decrease (increase) in amount due from agencies                                                                     | (0)               | 257              | (6)                         |  |
| Decrease (increase) in amount due from reinsurers                                                                   | (286)             | 46               | (2,539)                     |  |
| Decrease (increase) in other assets (excluding investment activities-related and financing activities-related)      | (11,767)          | (5,376)          | (104,433)                   |  |
| Increase (decrease) in amount due to agencies                                                                       | (379)             | 175              | (3,366)                     |  |
| Increase (decrease) in amount due to reinsurers                                                                     | 87                | 101              | 772                         |  |
| Increase (decrease) in other liabilities (excluding investment activities-related and financing activities-related) | (3,422)           | (2,866)          | (30,371)                    |  |
| Others, net                                                                                                         | 31,805            | 47,468           | 282,262                     |  |
| <b>Subtotal</b>                                                                                                     | <b>60,187</b>     | <b>358,164</b>   | <b>534,146</b>              |  |
| Interest, dividends and income from real estate for rent received                                                   | 300,736           | 302,216          | 2,668,943                   |  |
| Interest paid                                                                                                       | (923)             | (2,089)          | (8,191)                     |  |
| Policyholder dividends                                                                                              | (36,625)          | (36,530)         | (325,043)                   |  |
| Others, net                                                                                                         | 18,612            | 48,908           | 165,177                     |  |
| Income taxes paid                                                                                                   | (32,545)          | (53,908)         | (288,835)                   |  |
| <b>Net cash provided by (used in) operating activities</b>                                                          | <b>¥ 309,441</b>  | <b>¥ 616,760</b> | <b>\$ 2,746,197</b>         |  |

| Years ended March 31,                                                                             | (Millions of yen) |             | (Thousands of U.S. dollars) |
|---------------------------------------------------------------------------------------------------|-------------------|-------------|-----------------------------|
|                                                                                                   | 2016              | 2015        | 2016                        |
| <b>Cash flows from investing activities:</b>                                                      |                   |             |                             |
| Net decrease (increase ) in short-term investments                                                | ¥ 1,200           | ¥ 50        | \$ 10,649                   |
| Investments in monetary claims purchased                                                          | (2,000)           | (4,000)     | (17,749)                    |
| Proceeds from sale and redemption of monetary claims purchased                                    | 31,285            | 36,869      | 277,651                     |
| Investments in monetary trusts                                                                    | (82,737)          | (227,080)   | (734,265)                   |
| Proceeds from monetary trusts                                                                     | 200               | 1,533       | 1,774                       |
| Purchase of securities                                                                            | (2,098,003)       | (1,626,796) | (18,619,133)                |
| Sale and redemption of securities                                                                 | 1,981,004         | 1,622,894   | 17,580,796                  |
| Investments in loans                                                                              | (360,390)         | (445,797)   | (3,198,356)                 |
| Collection of loans                                                                               | 458,059           | 462,395     | 4,065,139                   |
| Others, net                                                                                       | 79,743            | (259,317)   | 707,701                     |
| Subtotal                                                                                          | 8,361             | (439,248)   | 74,208                      |
| Total of net cash provided by (used in) operating activities and investment transactions as above | 317,803           | 177,512     | 2,820,406                   |
| Purchase of tangible fixed assets                                                                 | (26,648)          | (27,898)    | (236,494)                   |
| Proceeds from disposal of tangible fixed assets                                                   | 64                | 273         | 576                         |
| Others, net                                                                                       | (342)             | (182)       | (3,038)                     |
| Net cash provided by (used in) investing activities                                               | (18,563)          | (467,056)   | (164,747)                   |
| <b>Cash flows from financing activities:</b>                                                      |                   |             |                             |
| Net increase (decrease) in short-term debenture                                                   | 0                 | 0           | 5                           |
| Proceeds from issuance of debt                                                                    | 13,600            | 13,500      | 120,695                     |
| Repayments of debt                                                                                | (29,746)          | (48,343)    | (263,986)                   |
| Proceeds from issuance of bonds                                                                   | 30,150            | -           | 267,571                     |
| Redemption of bonds                                                                               | (31,100)          | (14,000)    | (276,002)                   |
| Payment of lease obligations                                                                      | (397)             | (606)       | (3,527)                     |
| Purchase of treasury stock                                                                        | (30,015)          | (10,010)    | (266,375)                   |
| Sale of treasury stock                                                                            | 0                 | 0           | 4                           |
| Dividends paid                                                                                    | (16,650)          | (16,766)    | (147,764)                   |
| Dividends paid to non-controlling interests                                                       | (51)              | (52)        | (453)                       |
| Others, net                                                                                       | 0                 | 0           | 1                           |
| Net cash provided by (used in) financing activities                                               | (64,208)          | (76,278)    | (569,831)                   |
| Effect of exchange rate changes on cash and cash equivalents                                      | (1,271)           | (1,012)     | (11,287)                    |
| Net increase (decrease) in cash and cash equivalents                                              | 225,397           | 72,413      | 2,000,331                   |
| Cash and cash equivalents at the beginning of the year                                            | 899,524           | 827,111     | 7,983,002                   |
| Cash and cash equivalents at the end of the year                                                  | ¥ 1,124,922       | ¥ 899,524   | \$ 9,983,334                |

## 5. Notes on Going-Concern Assumption

Not applicable.

## 6. Changes in accounting policies

From the beginning of the subject fiscal year, T&D Holdings, Inc. (the “Company”) has applied accounting standards such as “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereafter “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereafter “Consolidation Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereafter “Business Divestitures Accounting Standard”), recording as capital surplus the variance on changes in equity interests in subsidiaries where the Company retains control, and changing the method for recording acquisition-related expenses as expenses for the consolidated fiscal year.

Also, for business combinations conducted from the beginning of the subject fiscal year, the Company has changed to a method to reflect the revisions to the allocated amount of acquisition cost determined by provisional accounting treatment in the consolidated financial statements for the fiscal year of the date of the business combination. In addition, the Company has made changes to the presentation of account titles such as net income, and changed the presentation of minority interests to non-controlling interests. The consolidated financial statements for the previous fiscal year have been reclassified to reflect the subject changes in presentation.

For the application of the Business Combinations Accounting Standard and other standards, the Company follows the transitional treatment prescribed by Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, applying such from the beginning of the subject fiscal year and going forward.

Regarding the Consolidated Statement of Cash Flows for the fiscal year, the method has been changed so that cash flow related to the acquisition and/or sales of shares in subsidiaries not accompanied by a change in the scope of consolidation is presented in the “Cash flows from financing activities” segment, and cash flows pertaining to expenses related to the acquisition of shares in subsidiaries accompanied by a change in the scope of consolidation, or the expenses incurred in relation to the acquisition and/or sales of shares in subsidiaries not accompanied by a change in the scope of consolidation, are presented in the “Cash flow from operating activities” segment.

There is no effect on the consolidated financial statements as a result of these changes.

## 7. U.S. Dollar Amounts

The translations of yen amounts into U.S. dollar amounts are included solely for the convenience of the readers and have been made, as a matter of arithmetical computation only, at the rate of ¥112.68 = U.S.\$1, which was the approximate rate prevailing at March 31, 2016. The translations should not be construed as representations that such yen amounts have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

## 8. Notes to Unaudited Consolidated Financial Statements

### Segment Information

[Segment information]

For the year ended March 31, 2016

#### 1. Overview of reportable segments

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

The Company is a holding company which manages life insurance companies and other subsidiaries and affiliated companies in accordance with the Insurance Business Act. The three life insurance companies, with unique product strategies and sales strategies under the Company, operate life insurance business as the Group's core business.

The Company's operations are therefore segmented by each of the life insurance companies and the Company's three reportable segments are the Taiyo Life Insurance Company segment, the Daido Life Insurance Company segment, and the T&D Financial Life Insurance Company segment.

Each of the three life insurance companies focuses on different markets. Taiyo Life focuses on the retail households market, Daido Life focuses on the small and medium-sized entities market and T&D Financial Life focuses on over-the-counter sales at financial institutions and other agents, etc. Each company also has different products under its unique marketing strategy.

#### 2. Information on ordinary revenues, income or loss, assets and liabilities, and others by reportable segment

| Year ended March 31, 2016                                      | Reportable segments |            |                    |             | Others   | Total       | Adjustments | (Millions of yen)                           |
|----------------------------------------------------------------|---------------------|------------|--------------------|-------------|----------|-------------|-------------|---------------------------------------------|
|                                                                | Taiyo Life          | Daido Life | T&D Financial Life | Subtotal    |          |             |             | Amount on consolidated financial statements |
| Ordinary revenues                                              | ¥ 872,714           | ¥ 935,264  | ¥ 218,035          | ¥ 2,026,014 | ¥ 28,287 | ¥ 2,054,301 | ¥ (28,376)  | ¥ 2,025,925                                 |
| Intergroup transfers                                           | 1,173               | 474        | -                  | 1,647       | 42,362   | 44,010      | (44,010)    | -                                           |
| Total                                                          | 873,887             | 935,739    | 218,035            | 2,027,662   | 70,649   | 2,098,312   | (72,386)    | 2,025,925                                   |
| Segment income (loss)                                          | 79,124              | 90,307     | 1,212              | 170,644     | 18,437   | 189,081     | (17,647)    | 171,434                                     |
| Segment assets                                                 | 7,084,800           | 6,152,026  | 1,359,879          | 14,596,707  | 919,556  | 15,516,263  | (842,055)   | 14,674,207                                  |
| Segment liabilities                                            | 6,603,082           | 5,488,203  | 1,289,619          | 13,380,904  | 161,685  | 13,542,589  | (82,443)    | 13,460,145                                  |
| Others                                                         |                     |            |                    |             |          |             |             |                                             |
| Depreciation of real estate for rent                           | 2,354               | 2,658      | -                  | 5,012       | -        | 5,012       | (21)        | 4,991                                       |
| Depreciation                                                   | 5,708               | 3,903      | 136                | 9,748       | 702      | 10,451      | (196)       | 10,254                                      |
| Provision for (reversal of) policy reserve                     | 39,665              | 181,309    | (26,902)           | 194,071     | 250      | 194,321     | -           | 194,321                                     |
| Provision for (reversal of) reserve for policyholder dividends | 18,135              | 13,788     | (3)                | 31,920      | -        | 31,920      | -           | 31,920                                      |
| Interest, dividends and income from real estate for rent       | 148,103             | 136,624    | 7,425              | 292,153     | 16,716   | 308,869     | (18,144)    | 290,725                                     |
| Interest expenses                                              | 871                 | 32         | 3                  | 908         | 29       | 937         | (27)        | 909                                         |
| Equity in net income of affiliated companies                   | -                   | -          | -                  | -           | -        | -           | 46          | 46                                          |
| Extraordinary gains                                            | 3                   | 13,202     | 1                  | 13,207      | 108      | 13,316      | (13,152)    | 163                                         |
| Extraordinary losses                                           | 20,255              | 8,789      | 623                | 29,667      | 663      | 30,331      | (892)       | 29,438                                      |
| Impairment losses                                              | 265                 | 3,938      | -                  | 4,203       | -        | 4,203       | -           | 4,203                                       |
| Provision for reserve for price fluctuations                   | 17,831              | 2,547      | 189                | 20,568      | -        | 20,568      | -           | 20,568                                      |
| Taxes                                                          | 13,902              | 26,455     | 101                | 40,459      | 678      | 41,138      | (3,625)     | 37,513                                      |
| Investments in affiliated companies                            | -                   | 100        | -                  | 100         | -        | 100         | -           | 100                                         |

Increase in tangible fixed  
assets and intangible  
fixed assets

¥ 34,903 ¥ 17,915 ¥ 1,757 ¥ 54,576 ¥ 1,815 ¥ 56,392 ¥ (18,183) ¥ 38,208

| Year ended March 31, 2016                                      |                     |              |                    |               |            |               | (Thousands of U.S. dollars) |                                             |
|----------------------------------------------------------------|---------------------|--------------|--------------------|---------------|------------|---------------|-----------------------------|---------------------------------------------|
|                                                                | Reportable segments |              |                    |               | Others     | Total         | Adjustments                 | Amount on consolidated financial statements |
|                                                                | Taiyo Life          | Daido Life   | T&D Financial Life | Subtotal      |            |               |                             |                                             |
| Ordinary revenues                                              | \$ 7,745,072        | \$ 8,300,181 | \$ 1,934,994       | \$ 17,980,248 | \$ 251,040 | \$ 18,231,289 | \$ (251,831)                | \$ 17,979,458                               |
| Intergroup transfers                                           | 10,411              | 4,213        | -                  | 14,624        | 375,953    | 390,577       | (390,577)                   | -                                           |
| Total                                                          | 7,745,072           | 8,300,181    | 1,934,994          | 17,980,248    | 251,040    | 18,231,289    | (251,831)                   | 17,979,458                                  |
| Segment income (loss)                                          | 702,203             | 801,449      | 10,760             | 1,514,412     | 163,628    | 1,678,041     | (156,614)                   | 1,521,427                                   |
| Segment assets                                                 | 62,875,407          | 54,597,328   | 12,068,508         | 129,541,244   | 8,160,774  | 137,702,019   | (7,472,982)                 | 130,229,036                                 |
| Segment liabilities                                            | 58,600,302          | 48,706,098   | 11,444,969         | 118,751,371   | 1,434,904  | 120,186,275   | (731,661)                   | 119,454,614                                 |
| Others                                                         |                     |              |                    |               |            |               |                             |                                             |
| Depreciation of real estate for rent                           | 20,891              | 23,593       | -                  | 44,485        | -          | 44,485        | (187)                       | 44,297                                      |
| Depreciation                                                   | 50,658              | 34,639       | 1,215              | 86,513        | 6,237      | 92,751        | (1,742)                     | 91,008                                      |
| Provision for (reversal of) policy reserve                     | 352,016             | 1,609,062    | (238,754)          | 1,722,324     | 2,221      | 1,724,545     | -                           | 1,724,545                                   |
| Provision for (reversal of) reserve for policyholder dividends | 160,946             | 122,364      | (29)               | 283,281       | -          | 283,281       | -                           | 283,281                                     |
| Interest, dividends and income from real estate for rent       | 1,314,373           | 1,212,503    | 65,895             | 2,592,772     | 148,350    | 2,741,122     | (161,027)                   | 2,580,094                                   |
| Interest expenses                                              | 7,735               | 291          | 31                 | 8,058         | 257        | 8,316         | (246)                       | 8,069                                       |
| Equity in net income of affiliated companies                   | -                   | -            | -                  | -             | -          | -             | 413                         | 413                                         |
| Extraordinary gains                                            | 33                  | 117,167      | 9                  | 117,210       | 966        | 118,176       | (116,723)                   | 1,453                                       |
| Extraordinary losses                                           | 179,763             | 78,001       | 5,529              | 263,294       | 5,885      | 269,180       | (7,923)                     | 261,257                                     |
| Impairment losses                                              | 2,357               | 34,949       | -                  | 37,307        | -          | 37,307        | -                           | 37,307                                      |
| Provision for reserve for price fluctuations                   | 158,253             | 22,605       | 1,681              | 182,540       | -          | 182,540       | -                           | 182,540                                     |
| Taxes                                                          | 123,378             | 234,785      | 902                | 359,066       | 6,025      | 365,092       | (32,173)                    | 332,918                                     |
| Investments in affiliated companies                            | -                   | 887          | -                  | 887           | -          | 887           | -                           | 887                                         |
| Increase in tangible fixed assets and intangible fixed assets  | \$ 309,761          | \$ 158,990   | \$ 15,599          | \$ 484,351    | \$ 16,110  | \$ 500,461    | \$ (161,376)                | \$ 339,084                                  |

Notes: 1. Ordinary revenues instead of net sales are presented here.

2. Adjustments are as follows:

- (1) The downward adjustment of ¥28,376 million (\$251,831 thousand) to ordinary revenues is the transferred amount which mainly consists of reversal of policy reserve of ¥26,902 million (\$238,754 thousand) of ordinary revenues which is included in ordinary expenses of the consolidated statement of operation as provision for policy reserves.
- (2) The downward adjustment of ¥17,647 million (\$156,614 thousand) to segment income (loss) is mainly due to the elimination of dividends from subsidiaries and affiliates.
- (3) The downward adjustment of ¥842,055 million (\$7,472,982 thousand) to segment assets is mainly due to the elimination of investments in stocks of subsidiaries and affiliates.
- (4) The downward adjustment of ¥82,433 million (\$731,661 thousand) to segment liabilities is mainly due to the elimination of intersegment receivables and payables.

3. Segment income (loss) is adjusted to align with the ordinary revenues set forth in the consolidated statement of operation.

[Related information]

For the year ended March 31, 2016

# 1. Information by product and service

Sales to external customers

| <i>(Millions of yen)</i>                      |            |            |                          |         |             |
|-----------------------------------------------|------------|------------|--------------------------|---------|-------------|
| Year ended March 31, 2016                     | Taiyo Life | Daido Life | T&D<br>Financial<br>Life | Others  | Total       |
| Income from insurance premiums                | ¥ 657,185  | ¥ 748,914  | ¥ 165,436                | ¥ 2,969 | ¥ 1,574,506 |
| Insurance premiums                            | 656,909    | 747,740    | 165,300                  | 2,969   | 1,572,919   |
| Individual insurance and individual annuities | 508,608    | 675,827    | 165,129                  | -       | 1,349,565   |
| Group insurance                               | 32,589     | 26,523     | -                        | -       | 59,113      |
| Group annuities                               | 114,370    | 44,392     | 147                      | -       | 158,910     |
| Others                                        | 1,341      | 996        | 23                       | 2,969   | 5,330       |
| Ceded reinsurance recoveries                  | ¥ 276      | ¥ 1,174    | ¥ 135                    | ¥ -     | ¥ 1,586     |

| <i>(Thousands of U.S. dollars)</i>            |              |              |                          |           |               |
|-----------------------------------------------|--------------|--------------|--------------------------|-----------|---------------|
| Year ended March 31, 2016                     | Taiyo Life   | Daido Life   | T&D<br>Financial<br>Life | Others    | Total         |
| Income from insurance premiums                | \$ 5,832,317 | \$ 6,646,386 | \$1,468,198              | \$ 26,350 | \$ 13,973,252 |
| Insurance premiums                            | 5,829,867    | 6,635,962    | 1,466,992                | 26,350    | 13,959,173    |
| Individual insurance and individual annuities | 4,513,738    | 5,997,760    | 1,465,474                | -         | 11,976,973    |
| Group insurance                               | 289,222      | 235,387      | -                        | -         | 524,609       |
| Group annuities                               | 1,015,002    | 393,971      | 1,308                    | -         | 1,410,281     |
| Others                                        | 11,904       | 8,843        | 210                      | 26,350    | 47,308        |
| Ceded reinsurance recoveries                  | \$ 2,449     | \$ 10,424    | \$ 1,205                 | \$ -      | \$ 14,078     |

*Note: Income from insurance premiums instead of net sales is presented here.*

# 2. Information by geographic area

## (1) Net sales

Information by geographic area is omitted, as net sales (ordinary revenues) to external customers in Japan exceed 90% of net sales (ordinary revenues) in the consolidated statement of operation.

## (2) Tangible fixed assets

Information by geographic area is omitted, as the amount of tangible fixed assets in Japan exceeds 90% of the amount of tangible fixed assets in the consolidated balance sheet.

# 3. Information by major customer

Information by major customer is omitted, as there are no customers to whom sales exceed 10% of net sales (ordinary revenues) in the consolidated statement of operation.

[Information on impairment losses on fixed assets by reportable segment]

For the year ended March 31, 2016

Information on impairment losses on fixed assets by reportable segment is disclosed in “Segment information.”

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

For the year ended March 31, 2016

Not applicable.

[Information on gains on negative goodwill by reportable segment]

For the year ended March 31, 2016

Not applicable.

### Per Share Information

| Years ended March 31,                | <i>(Yen)</i> |            | <i>(U.S. dollars)</i> |  |
|--------------------------------------|--------------|------------|-----------------------|--|
|                                      | 2016         | 2015       | 2016                  |  |
| Net assets per share                 | ¥ 1,865.94   | ¥ 2,018.12 | \$ 16.55              |  |
| Net income per share                 | 111.00       | 141.35     | 0.98                  |  |
| Net income per share (fully diluted) | 109.32       | 141.18     | 0.97                  |  |

A summary of the net income per share and the net income per share (fully diluted) computations is as follows:

| Years ended March 31,                              | <i>(Millions of yen)</i> |          | <i>(Thousands of U.S. dollars)</i> |  |
|----------------------------------------------------|--------------------------|----------|------------------------------------|--|
|                                                    | 2016                     | 2015     | 2016                               |  |
| Net income per share:                              |                          |          |                                    |  |
| Net income                                         | ¥ 72,547                 | ¥ 94,215 | \$ 643,833                         |  |
| Net income not attributable to common stockholders | -                        | -        | -                                  |  |
| Net income attributable to common stockholders     | ¥ 72,547                 | ¥ 94,215 | \$ 643,833                         |  |

| <i>(Shares)</i>                                      |             |             |
|------------------------------------------------------|-------------|-------------|
| Weighted-average number of common stocks outstanding | 653,556,609 | 666,540,650 |

| Years ended March 31,                    | <i>(Millions of yen)</i> |      | <i>(Thousands of U.S. dollars)</i> |  |
|------------------------------------------|--------------------------|------|------------------------------------|--|
|                                          | 2016                     | 2015 | 2016                               |  |
| Net income per share (fully diluted):    |                          |      |                                    |  |
| Adjusted net income                      | ¥ (16)                   | ¥ -  | \$ (148)                           |  |
| Amortization of bond premium (after tax) | ¥ (16)                   | ¥ -  | \$ (148)                           |  |

| <i>(Shares)</i>                                                                                                                         |           |         |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------|---------|
| Increase in common stock                                                                                                                | 9,884,916 | 795,192 |
| Convertible Bond                                                                                                                        | 9,094,039 | -       |
| Subscription rights to shares                                                                                                           | 790,877   | 795,192 |
| Summary of potential shares that are not included in computation of net income per share (fully diluted) due to lack of dilution effect | -         | -       |

A summary of the net assets per share computations is as follows:

| As of March 31,                             | <i>(Millions of yen)</i> |             | <i>(Thousands of U.S. dollars)</i> |
|---------------------------------------------|--------------------------|-------------|------------------------------------|
|                                             | 2016                     | 2015        | 2016                               |
| Net assets                                  | ¥ 1,214,061              | ¥ 1,344,950 | \$ 10,774,422                      |
| Deduction from net assets                   | 3,521                    | 3,211       | 31,253                             |
| Subscription rights to shares               | 926                      | 746         | 8,221                              |
| Non-controlling interests                   | 2,595                    | 2,465       | 23,031                             |
| Net assets available to common stockholders | ¥ 1,210,540              | ¥ 1,341,738 | \$ 10,743,169                      |

  

|                                        | <i>(Shares)</i> |             |
|----------------------------------------|-----------------|-------------|
| The number of common stock outstanding | 664,756,978     | 664,847,265 |

### Subsequent Events

For the year ended March 31, 2016

The Company has resolved at its board of directors meeting held on May 13, 2016, the acquisition of treasury stock under the provision Article 156 of the Companies Act of Japan, as applied pursuant to Article 165, Paragraph 3 of the same.

#### 1. Reasons for acquisition of treasury stock

To enhance shareholder return and improve capital efficiency.

#### 2. Details of acquisition

- (1) Type of shares to be acquired : Shares of common stock
- (2) Number of shares to be acquired : Up to 16,000,000 shares
- (3) Total amount of acquisition : Up to 1.4 billion yen
- (4) Period of acquisition : From May 16, 2016 to July 15, 2016
- (5) Method of acquisition : Open-market repurchase by the trust method

## V. Others

### (Reference) Status of Insurance Claims Paying Ability (Consolidated Solvency Margin Ratio)

(Millions of yen)

| Items                                                                                                                                                          | As of<br>March 31, 2016 | As of<br>March 31, 2015 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Total solvency margin (A)                                                                                                                                      | 2,102,712               | 2,290,819               |
| Common stock, etc. (less certain items)                                                                                                                        | 759,218                 | 735,975                 |
| Reserve for price fluctuations                                                                                                                                 | 175,759                 | 155,190                 |
| Contingency reserve                                                                                                                                            | 152,903                 | 158,597                 |
| Catastrophe loss reserve                                                                                                                                       | -                       | -                       |
| General reserve for possible loan losses                                                                                                                       | 1,482                   | 1,655                   |
| Net unrealized gains on available-for-sale securities and deferred gains (losses) on hedging instruments ( x 90 per cent, if gains; x 100 per cent, if losses) | 590,290                 | 810,029                 |
| Net unrealized gains (losses) on real estate (x 85 per cent., if gains; x 100 per cent., if losses)                                                            | 16,802                  | (707)                   |
| The total amount of unrecognized actuarial gains and losses and unrecognized past service costs (prior to tax effect deduction)                                | -                       | -                       |
| Excess amount of policy reserve based on Zillmer method                                                                                                        | 196,715                 | 179,177                 |
| Unallotted portion of reserve for policyholder dividends                                                                                                       | 16,891                  | 17,028                  |
| Deferred tax assets                                                                                                                                            | 142,638                 | 135,333                 |
| Subordinated debt                                                                                                                                              | 50,000                  | 98,600                  |
| The amount of non-margin portions in excess amount of policy reserve based on Zillmer method and subordinated debts                                            | -                       | -                       |
| Margin of small-amount short-term insurance company                                                                                                            | 305                     | 216                     |
| Deductible items                                                                                                                                               | (294)                   | (278)                   |
| Total risk $[(R_1^2 + R_5^2)^{1/2} + R_8 + R_9]^2 + (R_2 + R_3 + R_7)^2]^{1/2} + R_4 + R_6$ (B)                                                                | 363,834                 | 375,326                 |
| Insurance risk R1                                                                                                                                              | 46,671                  | 47,399                  |
| General insurance risk R5                                                                                                                                      | -                       | -                       |
| Catastrophe risk R6                                                                                                                                            | -                       | -                       |
| Third Sector insurance risk R8                                                                                                                                 | 14,363                  | 13,525                  |
| Insurance risk of small-amount short-term insurance company R9                                                                                                 | 492                     | 400                     |
| Assumed investment yield risk R2                                                                                                                               | 67,926                  | 73,272                  |
| Minimum guarantee risk R7                                                                                                                                      | 3,084                   | 5,966                   |
| Investment risk R3                                                                                                                                             | 279,224                 | 282,464                 |
| Business risk R4                                                                                                                                               | 8,235                   | 8,460                   |
| Consolidated solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$                                                                                   | 1,155.8%                | 1,220.7%                |

Notes:

1. The above ratios are calculated in accordance with the Articles 210.11.3 and 210.11.4 of the Ordinance for Enforcement of the Insurance Business Act as well as the Notification No. 23 issued by the Financial Services Agency in 2011.
2. "Common stock, etc. (less certain items)" represents net assets on the balance sheet less total accumulated other comprehensive income and estimated appropriation paid in cash.
3. "Margin of small-amount short-term insurance company" represents catastrophe loss reserve of small-amount short-term insurance company.
4. "Minimum guarantee risk R7" is calculated using the standard method regulated by the FSA.