IMPORTANT NOTICE

NOT TO BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON.

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER QIBS OR NON-U.S. PERSONS OUTSIDE UNITED STATES (EACH AS DEFINED BELOW).

IF YOU DO NOT AGREE TO THE TERMS AND CONDITIONS CONTAINED IN THIS NOTICE YOU SHOULD NOT READ THE ATTACHED OFFERING CIRCULAR AND SHOULD DELETE THIS ELECTRONIC TRANSMISSION.

IMPORTANT: You must read the following before continuing. The following disclaimers apply to the attached offering circular dated October 15, 2015 (the "Offering Circular"), and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. If you are not the intended recipient, please notify us immediately and delete this electronic transmission and the Offering Circular from your system. You agree you will not forward this electronic transmission or the Offering Circular to any other person.

Attached for your information is a copy of the Offering Circular in connection with the proposed offering outside Japan of certain securities (the "Securities") of the initial purchasers set forth in the Offering Circular (the "Initial Purchasers").

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE SUCH OFFER OR SALE IS UNLAWFUL. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR IS PERSONAL TO YOU, IS CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS REQUIREMENT MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS ELECTRONIC TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED TO AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Please refer to additional restrictions in the section entitled "Plan of Distribution—Selling Restrictions" in the Offering Circular.

By receiving and accepting this electronic transmission and accessing the Offering Circular, you will be deemed to have represented to us that you agree to comply with the restrictions set forth in this notice and in the Offering Circular.

Confirmation of Your Representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Securities, investors must either be Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or non-U.S. persons outside of the United States (within the meaning of Regulation S under the Securities Act). You have been sent the Offering Circular on the basis that you have confirmed that (a) you and any customers you represent are either QIBs or non-U.S. persons outside of the United States and the electronic mail address that you have given to us and to which this electronic transmission has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia; (b) if in a member state of the European Economic Area, you are a "Qualified Investor" (within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC, as amended));

and (c) in addition, if in the United Kingdom, you are a Qualified Investor who is (i) a person who has professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), (ii) a high net worth entity falling within Article 49 of the Order, or (iii) any other person to whom the Offering Circular may otherwise lawfully be communicated under the Order. By accepting this electronic transmission and accessing the Offering Circular, you will be deemed to have made the above representation and that you consent to delivery of such document by electronic transmission.

You are reminded that no representation or warranty, expressed or implied, is made or given by or on behalf of the Initial Purchasers, nor any person who controls them nor any director, officer, employee or agent of it, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in the Offering Circular and such persons do not accept responsibility or liability for any such information or opinions.

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Initial Purchasers nor any person who controls any of them nor any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Strictly Confidential

US$2,000,000,000

MEIJI YASUDA

Meiji Yasuda Life Insurance Company

(a Japanese mutual company)

5.20% Step-up Callable Subordinated Notes due 2045

Issue price: 100%, plus accrued interest, if any

Interest on the Notes will accrue from October 20, 2015

We are offering $2,000,000,000 aggregate principal amount of 5.20% step-up callable subordinated notes due 2045 (the "Notes"). The interest payment dates will be April 20 and October 20 of each year (each an "interest payment date"), beginning on April 20, 2016, until the Notes are fully redeemed. The Notes will bear interest at a fixed rate of 5.20% *per annum* on each $1,000 principal amount thereof from, and including, October 20, 2015 to, but excluding, October 20, 2025 (the "first call date"), payable semi-annually in arrears on each interest payment date. The rate of interest of the Notes will be reset on the first call date and every date which falls five, or a multiple of five, years thereafter (each a "reset date"), until the Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier (each such period a "reset interest period"), the interest rate *per annum* on each $1,000 principal amount of the Notes will be equal to the "reset interest rate," which is the sum of the applicable 5-year mid-swap rate (as defined herein) and 4.23% *per annum*, payable semi-annually in arrears on each interest payment date, beginning on April 20, 2026. Payment of interest is subject to optional deferral at our election and mandatory deferral in the case of a capital deficiency event (as defined herein) or any payment deferral in relation to the Notes or any liquidation parity security (as defined herein). The Notes do not restrict our ability to make payments on foundation funds (*kikin*) or any liquidation parity securities or such other instruments, in each case, by whose terms such non-payment is not permitted, or to make distributions to our policyholders. In the event of a deferral of a payment of interest on the Notes, arrears of interest (as defined herein) shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, in the case of optional deferral (but not mandatory deferral) shall bear interest at a rate equivalent to the applicable fixed or reset interest rate for the relevant deferral period, as the case may be. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

The Notes will mature on October 20, 2045, subject to certain conditions. The Notes are subject to redemption in whole, but not in part, at our option and sole discretion on the first call date or any reset date or at any time in the event of certain changes in Japanese tax law, Japanese regulatory capital requirements or equity credit criteria of a rating agency, in each case subject to compliance with regulatory requirements, including prior consent of the Financial Services Agency of Japan (the "FSA"), if then required. See "Description of the Notes—Redemption."

The Notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Upon the occurrence of a subordination event (as defined herein), any amounts payable under the Notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness (as defined herein). See "Description of the Notes—Status of the Notes; Subordination." Claims in respect of the Notes shall at all times rank *pari passu* with liquidation parity securities as to priority of liquidation payment, and will rank in priority to claims of holders of interests in our foundation funds and claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment.

Payment of the principal of the Notes may be accelerated (subject to subordination) only in the case of a subordination event, which would only occur in the event of our liquidation, bankruptcy, reorganization or rehabilitation. There is no right of acceleration of the payment of principal of the Notes upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant by us in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event. See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration."

The Notes will be issued only in registered form with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 13.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or other securities laws. The Notes are being offered or sold within the United States only to qualified institutional buyers ("QIBs") in reliance on an exemption from registration provided by Rule 144A under the Securities Act and outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. The Notes are not transferable except in accordance with the restrictions described under "Transfer Restrictions."

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering circular. Admission of the Notes to the official list of the SGX-ST is not to be taken as an indication of our merits or the merits of the Notes.

It is expected that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company ("DTC") and its participants, including Euroclear Bank, S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), on or about October 20, 2015.

Joint Lead Managers and Joint Bookrunners

J.P. Morgan
Joint Structuring Coordinator

Morgan Stanley
Joint Structuring Coordinator

Mizuho Securities

Co-Managers

Daiwa Capital Markets **Nomura** **SMBC Nikko**

BofA Merrill Lynch **Citigroup**

Offering Circular dated October 15, 2015

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This offering circular is confidential and is being provided exclusively to prospective purchasers of the Notes. Investors should read this offering circular before making a decision whether to purchase any Notes. Investors must not:

- use this offering circular for any other purpose;
- make copies of any part of this offering circular or give a copy of it to any other person; or
- disclose any information in this offering circular to any other person.

We have prepared this offering circular and are responsible for its contents. Potential investors in the Notes are responsible for making their own examination of our business and their own assessment of the merits and risks of investing in the Notes. By purchasing any Notes, investors will be deemed to have acknowledged that:

- they have reviewed this offering circular; and
- the initial purchasers are not responsible for, and are not making any representation to investors concerning, our future performance or the accuracy or completeness of this offering circular.

We are not providing investors with any legal, business, tax or other advice in this offering circular. Investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Notes.

Investors must comply with all applicable laws that apply in any jurisdiction in which they buy, offer or sell any Notes or possess this offering circular. Investors must also obtain any consents or approvals necessary in order to purchase any Notes. The initial purchasers and we are not responsible for investors' compliance with any such legal requirements.

No action has been or will be taken to permit a public offering of the Notes in any jurisdiction where action would be required for that purpose. This offering circular may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. This offering circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this offering circular comes must inform themselves about and observe any applicable legal requirements.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR OWN EXAMINATION OF OUR BUSINESS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY U.S. FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT REVIEWED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Notes. Distribution of this offering circular to any person other than the offeree and any persons retained to advise the offeree with respect thereto is unauthorized, and any disclosure of its contents, without our prior written consent, is prohibited.

By receiving this offering circular you acknowledge that:

- you have not relied on any initial purchaser, any U.S. selling agent, the trustee or any of their affiliates in connection with your investigation of the accuracy of the information in this offering circular or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the Notes offered hereby other than as contained in this offering circular and, if given or made, that other information or representation should not be relied upon as having been authorized by us, any initial purchaser, the trustee or any U.S. selling agent or any of their affiliates.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). The Notes may not be offered or sold in Japan to, or for the benefit of, any person resident in Japan (including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale directly or indirectly in Japan, or to, or for the benefit of, any person resident in Japan for Japanese securities law purposes except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the Notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A "Gross Recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph (4) of the Special Taxation Measures Act (a "specially-related person of the issuer"), (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order for Enforcement of the Act on Special Measures Concerning Taxation of Japan (Cabinet Order No. 43 of 1957, as amended) (the "Cabinet Order") that will hold Notes for its own proprietary account (a "Designated Financial Institution") or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order. **By subscribing for the Notes, an investor will be deemed to have represented that it is a Gross Recipient.**

The Notes have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Notes have not been and will not be offered or sold within the United States until 40 days after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, except if the Notes are being offered:

- in the United States only to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; and

- outside the United States in offshore transactions to non-U.S. persons as defined in, and in accordance with, Regulation S.

You are hereby notified that sellers of the Notes may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A.

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a specially-related person of the issuer, or (ii) a Designated Financial Institution that complies with the requirement for tax exemption under Article 6 of the Special Taxation Measures Act.

Interest payments on the Notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a specially-related person of the issuer will be subject to Japanese income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount specified in subparagraphs (a) or (b) below, as applicable:

(a) if interest is paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that, in either case, is a specially-related person of the issuer (except as provided in subparagraph (b) below), the amount of such interest; or

(b) if interest is paid to a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments business operator through a Japanese payment handling agent as provided in Article 3-3, Paragraph (6) of the Special Taxation Measures Act in compliance with the requirement for tax exemption under that paragraph, the amount of such interest minus the amount provided in the Cabinet Order relating to said Paragraph (6).

NOTICE CONCERNING THE UNITED KINGDOM

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA"), with respect to anything done by any person in relation to the Notes in, from or otherwise involving, the United Kingdom must be observed. See "Plan of Distribution."

This offering circular is for distribution in the United Kingdom only to persons who (i) are investment professionals, as defined in Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), or (ii) are persons falling within Article 49(2)(a) to (e) "high net worth companies, unincorporated associations, etc." of the Financial Promotion Order (all of these persons together being referred to as "relevant persons" for purposes of this Notice Concerning the United Kingdom). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

NOTICE TO INVESTORS IN HONG KONG

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

NOTICE TO INVESTORS IN SINGAPORE

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust, shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) or (in the case of such trust) where the transfer arises from an offer referred to Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED TO ANY PERSON IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, NOR A SOLICITATION OF ANY OFFER TO PURCHASE, ANY OF THE NOTES, AND NO OFFERING OR SALE OF THE NOTES MAY BE MADE TO ANY PERSON, IN ANY OF THE STATES OF ALABAMA OR NEW MEXICO OR THE COMMONWEALTH OF PUERTO RICO.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We have prepared this offering circular in reliance upon a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," "Meiji Yasuda Life" and words of similar import, we are referring to Meiji Yasuda Life Insurance Company itself, or to Meiji Yasuda Life Insurance Company and its consolidated subsidiaries, as the context may require. In this offering circular, references to the "Board" or "Board of Directors" refer to our board of directors. References to "StanCorp" refer to StanCorp Financial Group, Inc.

In this offering circular, except as otherwise indicated, currency amounts are expressed in Japanese yen ("yen" or "¥") or in U.S. dollars ("dollars" or "$"). Except as otherwise indicated, for the convenience of the reader, yen amounts translated into dollars in this offering circular have been translated at the rate of ¥122.45 = $1.00, the approximate rate of exchange prevailing as of June 30, 2015, the date of our most recently available balance sheet. Dollar translations are included solely for the convenience of the reader and are not intended to imply that assets and liabilities denominated in yen have been or could be readily converted, realized or settled in dollars at the above or any other rate. See "Exchange Rates."

In this offering circular, unless otherwise specified, where information is presented in billions of yen and millions of dollars, amounts of less than one hundred million yen and less than one hundred thousand dollars, respectively, have been truncated. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, figures presented in tables in this offering circular may not total due to such truncation or rounding.

Our fiscal year end is March 31. This offering circular includes audited consolidated financial statements and audited non-consolidated financial statements as of and for the years ended March 31, 2013, 2014 and 2015 with the audit report thereon. Our financial statements are prepared in accordance with the provisions of the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the "Insurance Business Act") and related regulations thereunder and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain significant respects from accounting principles generally accepted in other countries or regions.

Disclosure requirements for financial and other information applicable to Japanese mutual companies differ in certain respects from those applicable to Japanese public companies, whose securities are listed on a Japanese stock exchange and are required to comply with the continuous disclosure requirements of the FIEA. For example, Japanese mutual companies are not subject to requirements applicable to such Japanese public companies to prepare quarterly financial statements or to make timely disclosure of material corporate developments and events.

Except as otherwise specified, the discussion and analysis of our financial condition and results of operations and all financial information set forth in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" are provided on a consolidated basis. Except as otherwise specified, financial information other than in that section is presented on a non-consolidated basis.

As of June 30, 2015, our non-consolidated total assets and total net assets represented 99.8% and 100.0% of our consolidated total assets and total net assets, respectively. As of and for the year ended March 31, 2015, our non-consolidated total assets and total net assets represented 99.7% and 100.0% of our consolidated total assets and total net assets, respectively, and our non-consolidated ordinary profit and net surplus represented 99.3% and 99.9% of our consolidated ordinary profit and net surplus, respectively.

Japan Post Insurance Co., Ltd. ("Japan Post Insurance") and other cooperative insurers are not included in any of the life insurance industry data appearing in this offering circular, unless otherwise stated herein.

Our investments are divided into our general account and separate accounts. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that investments in the general account will not yield sufficient returns to cover benefits paid for products for which premiums are calculated based on a fixed assumed yield. In contrast, products for which customers bear the investment risk are paid from funds managed in our separate accounts. Such products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. Some of the information presented in this offering circular reflects our general account on a stand-alone basis and excludes separate account assets and liabilities. Such information is specifically identified in this offering circular as general account information. Where no such identification is made, the information provided herein includes both general account and separate account assets and liabilities. Of our ¥36,800.1 billion of non-consolidated total assets as of June 30, 2015, ¥35,958.0 billion, or 97.7%, represented general account assets. The balance consisted of separate account assets in the amount of ¥850.8 billion.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. Such statements include statements regarding our intent, belief or current expectations or those of our management with respect to our business, financial condition and results of operations. In some cases, forward-looking statements can be identified by terms such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” or the negative of these terms or other similar terminology. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those discussed in forward-looking statements. In addition, forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties.

Potential risks and uncertainties include, without limitation:

- adverse financial market and economic conditions in Japan and elsewhere;
- investment risks associated with our portfolio of investment securities, including changes in the value of equity securities, interest rate risk, foreign exchange risk, credit risk, liquidity risk, real estate risk and fluctuations in the value of the other instruments in our portfolio;
- a reduction or perceived reduction in our financial strength, including as a result of any downgrade of our credit or financial strength ratings or outlook, or any negative events related to our business or the Japanese life insurance industry;
- changes having an adverse effect on the market for individual life insurance products;
- differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products;
- any failure of risk management policies and procedures to be effective;
- changes in relationships with or performance of our strategic partners;
- a failure or delay in completing our proposed acquisition of StanCorp;
- risks associated with the proposed acquisition and integration of StanCorp;
- risks associated with our international operations and continuing overseas expansion;
- potential future reorganization from a mutual company to a stock company;
- inability to hire, train or retain a sufficient number of qualified sales representatives and other personnel or to contract with effective third-party sales agencies;
- failure to maintain sales through the bancassurance channel;
- a reduction of our deferred tax assets;
- risks associated with any failure of information technology systems;
- misconduct by sales representatives, other employees, third-party sales agencies, third-party service providers or customers, misuse or loss of customers’ information, and disruption of operations due to catastrophes;
- declines in our pension assets or revisions in actuarial assumptions;
- unpredictability of litigation related to our insurance operations;
- the adverse effects on our business of demographic trends in Japan;
- an inability to compete effectively in the increasingly competitive Japanese financial services industry;
- changes in Japanese laws and regulations or regulatory sanctions that could adversely affect our business;
- changes to accounting standards relating to the calculation of policy reserves; and
- increases in our contribution to the industry-wide policyholder protection fund.

Potential risks and uncertainties also include those identified and discussed in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this offering circular. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We do not undertake to revise forward-looking statements to reflect future events or circumstances.

AVAILABLE INFORMATION

While any Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, if, at any time, we are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to any holder of a Note, or any prospective purchaser designated by a holder of a Note, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a mutual company established under the laws of Japan. Most of our directors and executive officers reside in Japan. All or a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, investors may be unable to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or them judgments obtained in United States courts or elsewhere predicated upon the civil liability provisions of the federal or state securities laws of the United States. We have been advised by our Japanese counsel that there is doubt as to the enforceability in Japanese courts, in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon U.S. federal or state securities laws.

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Summary

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements contained elsewhere in this offering circular. For a discussion of certain risks that prospective investors should consider in connection with an investment in the Notes, see "Risk Factors."

Meiji Yasuda Life Insurance Company

Overview

We are one of the largest private life insurance companies in Japan. We operate primarily in Japan and offer a wide range of products, including individual and group life insurance and annuities and other insurance products, to over 6.5 million insured persons as of March 31, 2015.

Our core business is offering individual and group life insurance products in Japan. Our main product is "Best Style," a customizable comprehensive product we released in June 2014 that can be tailored to meet the changing needs of our customers throughout various life stages. We also sell various other individual and group life insurance and annuity products, and a range of third-sector insurance products, including medical insurance and nursing care insurance.

According to Sigma World Insurance in No. 4/2015, Japan is the second largest life insurance market in the world by premium volume. We held one of the largest market shares by premium income among private insurers for the year ended March 31, 2015, and aim to continue the growth that made us one of Japan's leading private life insurance companies.

As of March 31, 2015 and June 30, 2015, our consolidated total assets amounted to ¥36,579.6 billion and ¥36,891.7 billion, respectively, and our non-consolidated total assets amounted to ¥36,469.0 billion and ¥36,800.1 billion, respectively. Our consolidated insurance premiums and other amounted to ¥3,431.4 billion and ¥978.7 billion, respectively, for the year ended March 31, 2015 and the three months ended June 30, 2015. As of June 30, 2015, we had a consolidated solvency margin ratio of 1,051.9% (approximately 5.3 times the minimum regulatory requirement) and a non-consolidated solvency margin ratio of 1,024.7% (approximately 5.1 times the minimum regulatory requirement), and we currently have financial strength ratings of AA- from Rating and Investment Information, Inc., A+ from Japan Credit Rating Agency, Ltd., A1 from Moody's Investors Service and A from Standard & Poor's.

Strengths

Robust position in the attractive Japanese life insurance market

The Japanese life insurance market is highly concentrated, with the top four life insurance companies accounting for more than half of the total market share, excluding Japan Post Insurance. In addition, as of December 31, 2014, it featured the second highest life insurance premiums per capita among the top five markets in the world, at $371,588 million, including Japan Post Insurance and insurance provided by Japan Agricultural Cooperatives, as compared to $235,321 million in the United Kingdom, $172,761 million in France, $528,221 million in the United States and $176,950 million in China, according to Sigma World Insurance in No. 4/2015 and, in the aggregate, represented approximately 14% of total global life insurance premiums. Moreover, according to the Japan Institute of Life Insurance, 90.5% of Japanese households are enrolled in some form of life insurance. Additionally, according to the BOJ, as of March 31, 2015, life insurance and annuities accounted for 26% of total household financial assets in Japan, second only to cash deposits and slightly below levels in the United States and Europe.

We have long maintained a robust position in the attractive Japanese life insurance market. We are the third largest life insurance company in Japan in terms of total premium income and rank highly among our global peers in terms of revenue. With respect to group life insurance, we have sustained our leading position in the Japanese market with ¥111.6 trillion in policy amounts in force as of March 31, 2015, primarily due to our strong business relationships with many of Japan's major corporations and government and public offices.

Furthermore, we have established a strong track record of operating success. Our annualized premiums from policies in force have grown steadily year on year since the year ended March 31, 2010 due in part to our focus on enhanced after-sales services, with ¥2,141 billion in annualized net premiums from policies in force having been recorded for the year ended March 31, 2015. In addition, we have increased our embedded value, a valuation measure that represents the total value of in-force business and adjusted net worth, year on year since we first began disclosing embedded value in 2010. As of March 31, 2015, our embedded value stood at ¥5,490.5 billion, an increase of ¥1,271.9 billion from our embedded value as of March 31, 2014. This increase is mainly attributable to the growth in our adjusted net worth, which has been achieved mainly through increases in unrealized gains on securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value" for further details.

With over 6.5 million insured persons in Japan, we believe that we have a stable base of operations from which to pursue further profit growth while maintaining our robust position in the Japanese life insurance market. We believe that our profitability will continue to be positively affected by, among other things, the high profit margins on insurance premiums that are characteristic of the Japanese life insurance market.

Sound capital base, including industry leading solvency margin ratio

We have successfully maintained a strong capital base. We achieved solvency margin ratios on a consolidated and non-consolidated basis of 1,051.9% and 1,024.7%, respectively, as of June 30, 2015, each of which significantly exceeds the regulatory minimum threshold of 200%. Furthermore, our non-consolidated solvency margin ratio of 1,024.7% as of June 30, 2015, was the highest among the four largest Japanese life insurance companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio."

In addition to our solvency margin ratios, our real net assets have steadily grown year on year since the year ended March 31, 2010, and we had real net assets of ¥8,899.3 billion as of March 31, 2015, representing an increase of more than ¥2,460.0 billion from March 31, 2014, which has been achieved mainly through the accumulation of internal reserves. Our unrealized gains on securities, other than certain investment assets not readily susceptible to market valuation, also increased substantially to ¥5,276.7 billion as of March 31, 2015 as compared to ¥3,170.4 billion as of March 31, 2014. This increase was supported by the performance of domestic stocks and foreign securities in our investment portfolio, which, with respect to our domestic stocks, had a break-even point as of March 31, 2015 of ¥7,800 in relation to the Nikkei index and of 630 points in relation to TOPIX, each of which are significantly lower than the closing values of ¥19,206.99 and 1,543.11 for the Nikkei index and TOPIX recorded on March 31, 2015, respectively.

Stable operations and profit supported by increasing quality of insurance products

We have achieved continuous growth in our base profit, a measure that is used for the performance of a Japanese life insurance company's core insurance business, due in part to our improved investment margin, as well as stable mortality and expense margins. We recorded ¥506.3 billion in base profit for the year ended March 31, 2015, representing growth of 10.0% over the previous year and the highest amount of base profit we have recorded in our history. In addition, we recorded interest surplus of ¥168.6 billion at the closing of accounts for the year ended March 31, 2015, representing the fourth consecutive year in which we have recorded interest surplus.

We have also steadily improved our operations, particularly with the aim of achieving greater customer satisfaction and retention, which we believe has contributed to the stability of our revenue generation from our life insurance business. As discussed further below in "—Strategies," we have focused on providing engaging, face-to-face after-sales services to achieve competitive differentiation. We believe that it is partly as a result of these efforts that our surrender and lapse rate has declined year on year since the year ended March 31, 2012 to 4.41% as of March 31, 2015, which is 1.03 percentage points lower than the industry average of 5.44% for the overall Japanese life insurance market, based on data published by the Life Insurance Association. Our total persistency rate is competitive with the persistency rates of Japan's other major life insurance companies. Specifically, it has remained steadily above 90% for 13-month contracts and 85% for 25-month contracts over the last four years and stood at 93.6% for 13-month contracts and 87.8% for 25-month contracts as of June 30, 2015.

Effective management of investment portfolio through implementation of surplus management-type ALM

We manage our investment portfolio through the implementation of a surplus management-type ALM, which we believe has enabled us to achieve a domestic bond-centered investment portfolio that is inherently resilient against changes in market and economic conditions. We have successfully maintained a high-quality investment portfolio, with more than 60% of our general account assets concentrated in yen-denominated fixed income assets, such as domestic bonds and domestic loans, as of March 31, 2015. Our bond portfolio mostly consists of JGBs and U.S. Treasury bonds, and our other bond holdings generally have a credit rating of A or above. We believe that this high-quality investment portfolio supports secure and stable returns over the medium- to long-term. Domestic bonds accounted for 46.5% of our total general account assets as of March 31, 2015, while domestic stocks accounted for only 11.8%. We also aim to reduce our risk exposure by diversifying our portfolio by asset type, maturity, country and currency.

A key component of our surplus management-type ALM is to aim to maintain a high percentage of long-term bonds in our investment portfolio, in order to reduce the mismatch between the duration of our assets and liabilities. We manage the risks of both increased and decreased interest rates in the domestic market by diversifying the mix of asset types, currencies and maturities of our investments. In addition, most of our domestic bond portfolio is classified as held-to-maturity debt securities or policy-reserve-matching bonds, which decreases the impact of interest rate fluctuations. We also engage in risk management to control the risks related to a rise in the Japanese yen or a decrease in share prices. As a result of our implementation of surplus management-type ALM, we have reduced the sensitivity of our embedded value to a 50 basis point decrease in the risk-free rate to negative 5.6% as of March 31, 2015. See “Business—Investments—Management of Investments” for further details on our surplus management-type ALM policy.

Strategies

In April 2014, we launched a new three-year plan called the Meiji Yasuda NEXT Challenge Program, which includes a new Medium-Term Business Plan. The Medium-Term Business Plan consists of the following three major components:

- A brand strategy, through which we are aiming to achieve competitive differentiation from our peers by providing active, face-to-face after-sales services using our sales representative channel.
- A growth strategy, through which we are striving to increase sales of third-sector insurance products and expand our overseas insurance business.
- Strengthening of our operating base by enhancing our levels of capital and promoting effective risk management.

Our specific strategies for branding, growth and strengthening of our operating base are as follows:

Enrich our lineup of products and services, including in business areas with growing demand, such as medical and nursing care insurance.

We believe that new products and services will enable us to address the evolving coverage needs of our changing customer base. In particular, we believe that there are growth opportunities in the medical and nursing care insurance fields, as well as optional services, such as second opinion and illness prevention services, due to a shift in the insurance needs of Japan’s shrinking population away from traditional mortality insurance into more diversified and personally tailored insurance portfolios.

In particular, in June 2014, we released “Best Style,” a highly flexible and customer needs-responsive product that is intended to provide “easy-to-tailor” coverage at the time of enrollment, “easy-to-revise” coverage after enrollment and “easy-to-understand” procedures when making any claims. “Best Style” offers customers the flexibility to combine a wide variety of coverage into personally tailored insurance portfolios that can subsequently be modified as necessary to meet changing life needs and circumstances. Customer reception of “Best Style” has been very strong with more than 500,000 policies having been sold in the first eleven months since its release. In June 2015, we also supplemented our product lineup by introducing “Medical Style F,” a third-sector product focused on medical and nursing care insurance, which, similar to “Best Style,” is highly flexible and allows customers to revisit and modify their coverage portfolios on a yearly basis to adapt to changing life needs. "Best Style," "Medical Style F" and our other individual life insurance products are essential to our responding to and capturing market share in emerging business areas, such as those aimed mainly at female and young customers.

In recent years, we have also introduced other products tailored for specific needs and customer segments aimed at individual customers. For instance, in September 2012, we began offering "*Kaigo no Sasae*," a type of annuity product designed to work hand-in-hand with Japan's long-term care insurance system. The introduction of "*Kaigo no Sasae*" broadened our range of individual annuity products, which include "*Nenkin Kakehashi*" and "*Nenkin Hitosuji*," annuity products that can be tailored to meet the particular financial needs and uses of customers and for the accumulation of retirement funds, respectively. In August 2015, we separately launched "Meiji Yasuda Savings-type Educational Insurance" in order to assist customers with preparing for children's educational expenses in an efficient manner.

In our bancassurance channel, we have expanded our lineup of single premium products and diversified our range of product offerings to include level premium protection-type products. With respect to our corporate group insurance customers, we are placing emphasis on proposing solutions that are tailored to their particular needs, and have also expanded our products and services aimed at corporations to include third-sector products in response to the increasing demand for medical and nursing care protection.

Provide engaging, face-to-face after-sales services to achieve competitive differentiation

Our approximately 30,000 sales personnel nationwide in Japan have been an integral sales channel for our products, particularly to individual customers. Given the importance of face-to-face contact in life insurance sales in the Japanese market, our sales representatives are expected to remain key resources for our ongoing revenue generation. To enhance face-to-face consulting services provided by our sales personnel, particularly after enrollment in life insurance policies, we have, among other things, developed a system that utilizes mobile communication technologies to enable our sales personnel to actively engage in more personalized dialogue with customers, including with respect to policy details, analysis of coverage needs and potential revisions in coverage tailored to meet the evolving needs of each individual customer. We believe that such after-sales services and engagement with existing customers by our sales personnel is critical to our ability to maintain and improve our total persistency rate and surrender and lapse rate and to solidify our brand image in the minds of our customers as a life insurance company that provides superior customer service as compared to our peers.

Actively promote and expand our overseas insurance business, including through the proposed acquisition of StanCorp, to secure greater opportunities for future profit in the global market

Through our overseas representative offices, subsidiaries and affiliates, and through our business alliances and tie-ups, we engage and invest in the life and non-life insurance business in various markets around the world, including markets such as the United States, China, Indonesia, Thailand and Poland. Other than the United States, where we have had a presence since 1976 through our acquisition of a majority equity stake in Pacific Guardian Life Insurance Company, Limited, each of these is an overseas market we entered into during the last five years. As part of our growth strategy under our current three-year plan, we are actively promoting the expansion of each of our existing affiliates' businesses in their respective markets to increase profitability in the medium- to long-term.

In addition, in pursuit of further overseas growth, we continuously seek and evaluate opportunities to make strategic investments and acquisitions over the course of our three-year plan, mainly in regions where robust market growth is expected, including both developing and developed countries, taking into account not only the stage of development of each country, but also geographical diversification. On July 23, 2015, we took a significant step in expanding our overseas insurance business by entering into an agreement to acquire all of the shares of common stock of StanCorp, a medium-sized life insurance holding company that is a leading provider of group life and disability insurance in the United States. We believe that the proposed acquisition will provide an attractive opportunity to gain a strong business foundation in the United States, which is the largest life insurance market in the world, and will significantly increase the contribution of our overseas insurance businesses to our consolidated premium income. Subject to various closing conditions, including approval by

StanCorp shareholders and U.S. and Japanese insurance regulators, we currently expect the transaction to close during the first quarter of calendar year 2016. See “Proposed Acquisition of StanCorp” for further information.

Further enhance our financial foundation through the maintenance of adequate levels of capital and pursuit of sophisticated enterprise risk management

In conjunction with pursuing our customer-oriented brand-strengthening and domestic and overseas growth strategies, we are actively taking steps to ensure continued financial soundness and achieve an even stronger financial foundation on which to grow and expand our businesses. To this end, we aim to strengthen our enterprise risk management by advancing our surplus management-type ALM through an increase in the duration of our assets and by bolstering our risk reduction efforts through a restructuring of our investment portfolio to mitigate against the risk of a sudden increase in interest rates. We will continue to strive to maintain an adequate level of equity to further strengthen our ability to withstand market risks and fluctuations.

Current progress of our Medium-Term Business Plan

We are currently in the second year of our three-year Medium-Term Business Plan. Under this plan, we have set three management performance targets with respect to embedded value, individual insurance marketing and group insurance marketing, to be achieved by the year ended March 31, 2017, the final year of the Medium-Term Business Plan. See “Business—Strategies.”

Our registered head office is located at 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan. Our English website address is www.meijiyasuda.co.jp/english/. For the avoidance of doubt, the information appearing on our website does not constitute a part of this offering circular.

The Offering

If in the future we conduct a demutualization under the Insurance Business Act or any similar applicable law or regulations and become a joint-stock corporation (a "Demutualization Event"), certain provisions of the Notes will automatically be amended, as described in "Description of the Notes." Unless otherwise described therein, the amended provisions will form part of the terms and conditions of the Notes upon the effectiveness of a Demutualization Event.

Securities Offered	$2,000,000,000 aggregate principal amount of 5.20% step-up callable subordinated notes due 2045. The Notes have not been registered with the U.S. Securities and Exchange Commission (the "SEC"), and are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and inside the United States to QIBs in reliance on Rule 144A.
Status of Notes/Ranking . .	The Notes will constitute our irrevocable, direct, unsecured and subordinated obligations. Claims in respect of the Notes shall at all times rank *pari passu* and without any preference among themselves and *pari passu* with Liquidation Parity Securities (as defined below) as to priority of liquidation payment and in priority to (i) claims of holders of interests in our foundation funds (*kikin*) and (ii) claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment. "Liquidation Parity Securities" means (i) the subordinated loans extended to Meiji Yasuda Life in March 1999 by three Japanese financial institutions with an aggregate principal amount of ¥100.0 billion and final redemption in April 2021 and (ii) any other liabilities that are expressly designated as being on a parity with, or ranking *pari passu* with, the Notes as to priority of liquidation payment, and, for the avoidance of doubt, Liquidation Parity Securities shall not include foundation funds (*kikin*). See "Description of the Notes—Status of the Notes; Subordination." The holders of the Notes will not have the benefit of any security interest.
Minimum Denomination . .	The Notes will be issued in fully registered form, without coupons, with a minimum denomination of $200,000 in principal amount and integral multiples of $1,000 in excess thereof.
Interest on the Notes	*Pre-first call date interest period:* From, and including, October 20, 2015 to, but excluding, October 20, 2025, the Notes will bear interest at 5.20% *per annum* on each $1,000 principal amount thereof, payable semi-annually in arrears on April 20 and October 20 of each year, beginning on April 20, 2016, subject to certain adjustments as described in "Description of the Notes—General." *Reset interest periods:* The rate of interest of the Notes will be reset on the first call date and each reset date, until all Notes are fully redeemed. From, and including, each reset date to, but excluding, the next following reset date or the date on which the Notes are finally redeemed, whichever is the earlier, the interest rate *per annum* on each $1,000 principal amount of the Notes will be equal to the "Reset Interest Rate," which is the sum of the applicable 5-year mid-swap rate and 4.23% *per annum*, payable semi-annually in arrears on April 20 and October 20 of each year, beginning on April 20, 2026, subject to certain adjustments as described in "Description of the Notes—General."

	Interest calculation basis: Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upward).
Interest Deferral	*Optional deferral:* We may, at our sole discretion, elect to defer payment of all (and not less than all) of the interest accrued on the Notes on any interest payment date (as defined herein), so long as such interest payment date is not a mandatory interest deferral date (as defined herein). *Mandatory deferral:* We shall be required to defer payment of all (and not less than all) of the interest accrued on the Notes if, as of the fifth business day prior to the interest payment record date (as defined herein) for any interest payment date, either (i) a Capital Deficiency Event (as defined below) has occurred and is continuing, or (ii) any payment in relation to the Notes or a Liquidation Parity Security has been deferred and continues to be in deferral. A "Capital Deficiency Event" shall be deemed to have occurred if, as of the relevant date, (i) the Capital Adequacy Condition (as defined below) is not met or would not be met as a result of such payment of interest on the Notes or (ii) the Commissioner of the FSA has issued any order of prompt corrective action (*souki zesei sochi*) in relation to regulatory capital requirements to us and such order remains in effect. The "Capital Adequacy Condition" shall be met if, as of the relevant date, (i) our solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) meets or exceeds the Regulatory Minimum Capital Requirements (as described below), and (ii) a deferral of interest on the Notes is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan). "Regulatory Minimum Capital Requirements" means, as of any date, the then applicable solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations (including any successor laws and regulations) or any other solvency margin or capital adequacy regulations or regulatory capital rules of the FSA or other applicable governmental authority then in effect that are applicable to us, falling below which could trigger the issuance of an order of prompt corrective action by the Commissioner of the FSA or other equivalent action taken by the applicable governmental authority and which is, as of the date of the Indenture (as defined herein), a solvency margin ratio of 200% (on a consolidated or non-consolidated basis). See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."
Payment Stoppage	If we have given notice to defer interest payments on the Notes, but the relevant interest has not become payable, or if any payment in relation to the Notes has been deferred and continues to be in deferral, we shall not, and shall cause our subsidiaries not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of our securities that are Liquidation Parity Securities or any of our instruments that are expressly designated as

being junior to the Notes as to priority of liquidation payment (other than foundation funds (*kikin*) and any Liquidation Parity Securities and such other instruments, in each case, by whose terms such non-payment is not permitted).

For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any of our subsidiaries to pay dividends or make any distributions to us or our ability to make payments on foundation funds (*kikin*) or to make distributions to our policyholders (*shain haitou*).

Arrears of Interest . . . . Arrears of interest on the Notes shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Notes. Interest on arrears of interest deferred at our election shall compound semi-annually at 5.20% *per annum* to, but excluding, the first call date, and at the applicable Reset Interest Rate for each reset interest period thereafter. Arrears of mandatorily deferred interest shall bear no interest.

At our option, arrears of interest on the Notes may be paid in whole or in part to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a business day) immediately preceding the date on which payment of such arrears of interest is made, at any time upon the expiration of not more than 15 nor less than five business days' written notice to the trustee, the paying agent and the holders of the Notes to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no Capital Deficiency Event having occurred and continuing to occur and (iii) shall be conditional upon no payment in relation to Liquidation Parity Securities having been deferred and continuing to be in deferral, in each case, as of the time of such written notice. Notwithstanding (iii) above or the provisions set forth under "Description of the Notes—Deferral of Interest Payments; Arrears of Interest—Optional Deferral of Interest Payments," "Description of the Notes—Deferral of Interest Payments; Arrears of Interest—Mandatory Deferral of Interest Payments" and "Description of the Notes—Deferral of Interest Payments; Arrears of Interest—Payment Stoppage," even if any payment in relation to a Liquidation Parity Security has been deferred and continues to be in deferral, we may make payment of all or any portion of the interest on the Notes that shall have accrued as of the most recent interest payment date, if we also make substantially concurrent *pro rata* payments of interest that shall have accrued as of the most recent interest payment date of such Liquidation Parity Securities, it being understood that if such a substantially concurrent payment is not permitted under the terms of the Liquidation Parity Securities, such payment may be made on the next applicable interest payment date for such Liquidation Parity Securities. See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest—Arrears of Interest."

Additional Amounts . . . . . . All payments of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required under Japanese law or by the authority. Subject to certain exceptions, if we are required to make any such withholding or deduction under Japanese law, we shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required. See "Description of the Notes—Taxation and Additional Amounts."

Maturity Date	October 20, 2045.
Redemption	The Notes are subject to final redemption, optional redemption and redemption in certain other circumstances as described below.

Final redemption:

Unless previously redeemed or purchased and cancelled and subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), each Note will be finally redeemed on October 20, 2045 at the principal amount of the Notes then outstanding together with accrued interest (including any arrears of interest) and any additional amounts thereon, provided that (i) our solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) we procure "Qualifying Financing," which includes issuance of foundation funds (*kikin*) and subordinated debt (*fusaisei shihon*) financing, in an amount not less than the amount of the redemption.

In the event that the Notes are not redeemed as a result of the failure of the conditions above, interest will continue to accrue and be paid on each interest payment date until the first interest payment date following October 20, 2045 on which the conditions above are fulfilled, which will be the final maturity date when the Notes will be finally redeemed.

Optional redemption:

The Notes may be redeemed at our option and sole discretion in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on the first call date or any reset date, on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon.

Optional additional amounts redemption:

The Notes may be redeemed at any time at our option and sole discretion in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if:

- we have been or will be obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, or any change in application or change or the stating of an official interpretation of such laws or regulations, which change or amendment becomes effective (or, in the case of the stating of an official interpretation, is announced) on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and

- such obligation cannot be avoided by us through the taking of reasonable measures available to us.

No notice of redemption for an Additional Amounts Event (as defined herein) shall be given sooner than 90 days prior to the earliest date on which we would actually be obliged to pay such additional amounts.

Optional special event redemption:

The Notes may be redeemed at any time at our option and sole discretion in whole, but not in part, if a Special Event (as defined below) has occurred and is continuing, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes, which notice shall be irrevocable, at a redemption price equal to (i) in the case of a redemption prior to the first call date, the Make-Whole Amount (as defined herein) and any additional amounts thereon and (ii) in the case of a redemption on or after the first call date, the principal amount of the Notes, together with interest accrued (including arrears of interest) to the date fixed for redemption, and any additional amounts thereon.

A "Special Event" means:

- a "Regulatory Event," which means any amendment or change to the Insurance Business Act or related regulations (including any successor laws and regulations), or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the Notes and that results or will result (for the avoidance of doubt, including after giving effect to any applicable grandfathering or similar provisions) in the Notes (in whole or in part) no longer qualifying as subordinated debt (*fusaisei shihon*) under the Insurance Business Act or related regulations included in the determination of our solvency margin ratio or as a similar class of regulatory capital included in the determination of such other measure of capital adequacy then used by the applicable regulatory requirements, and, in each case, such disqualification cannot be avoided by us through the taking of reasonable measures available to us,
- a "Tax Deductibility Event," which means the occurrence of a more than insubstantial increase in the risk that interest payable by us on the Notes is not or will not be deductible by us, in whole or in part, for Japanese (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or

after the date of succession), and, in each case, such non-deductibility cannot be avoided by us through the taking of reasonable measures available to us, or

- a "Rating Agency Event," which means a publication by Standard & Poor's or Moody's Investors Service (including any successors to their respective ratings businesses), that an amendment, clarification or change has occurred or will occur in the equity credit criteria, guidelines or methodology of such rating agency, which amendment, clarification or change results or will result in (i) the shortening of the length of time the Notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the Notes would have been assigned that level of equity credit by such rating agency on the date of the issuance of the Notes, or (ii) a lower equity credit for the Notes than the equity credit assigned by such rating agency on the date of the issuance of the Notes.

No notice of redemption shall be given sooner than (i) in the case of a Regulatory Event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the Notes (ii) in the case of a Tax Deductibility Event, 90 days prior to the earliest date on which such additional tax liability as a result of such non-deductibility would actually become due with respect to our interest payments on the Notes, or (iii) in the case of a Rating Agency Event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the Notes.

Any optional redemption, optional additional amounts redemption or optional special event redemption may be permitted only if (i) our solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) we procure "Qualifying Financing," which includes issuance of foundation funds (*kikin*) and subordinated debt (*fusaisei shihon*) financing, in an amount not less than the amount of the redemption.

See "Description of the Notes—Redemption."

Limited Rights of Acceleration . . . . The Notes may not be accelerated upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant by us in relation to the Notes or upon the happening of any other event in relation to the Notes other than a subordination event, which would only occur in the event that liquidation, bankruptcy, reorganization or rehabilitation shall have commenced with respect to us or we shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Notes would remain subject to subordination.

See "Description of the Notes—Events of Acceleration; Limited Rights of Acceleration."

Use of Proceeds . . . . We intend to use the net proceeds from the offering of the Notes for general corporate purposes.

Global Securities . . . . The Notes will be initially represented by one or more global certificates in fully registered form without interest coupons (the "Global Securities"). The Global Securities will be deposited upon issuance with the custodian for DTC and registered in the name of the nominee for DTC. Beneficial interests in the Global

	Securities may be held only through DTC (or any successor clearing system that holds global securities) and its participants, including Euroclear and Clearstream. The security numbers for the Notes are as follows. For the Notes sold under Regulation S: CUSIP No.: J41838 AA1 ISIN: USJ41838AA14 Common Code: 130093884 For the Notes sold under Rule 144A: CUSIP No.: 585270 AA9 ISIN: US585270AA92 Common Code: 130093892 Beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the Notes represented by a global security will at all times be DTC or its nominee (or a successor to DTC or its nominee), and voting and other consensual rights of holders of the Notes will be exercisable by beneficial owners of the Notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global securities may not be exchanged for definitive Notes except in the limited circumstances described under "Description of the Notes—Book-entry; Delivery and Form—Exchange of Global Securities for Definitive Notes."
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York.
Ratings	It is expected that the Notes will be assigned with ratings of A3 from Moody's Investors Service and BBB+ from Standard & Poor's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agencies.
Listing and Trading	Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of \$200,000 for so long as the Notes are listed on the SGX-ST.
Trustee, Paying Agent, Calculation Agent and Notes Registrar	The Bank of New York Mellon

Risk Factors

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering circular.

Risks Related to Our Business

Adverse financial market and economic conditions in Japan and elsewhere may have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere. In Japan, market conditions, such as stock prices, have generally improved since 2013 due in part to economic and monetary stimulus measures aimed at overcoming deflation and expectations that structural reform measures would be implemented by the Japanese government to stimulate the economy. However, the future outlook of the Japanese economy remains uncertain. Particular concerns include the prospect for ending deflation, the potential negative consequences of an increasing budget deficit, and stagnating or decreasing consumer demand resulting from the increase in consumption tax from 5% to 8% in April 2014, which appears to have been the primary cause of Japan's dip into recession in the second quarter of 2014, and the scheduled further increase in consumption tax from 8% to 10% in April 2017. Outside of Japan, economic conditions in European countries continue to be fragile as a result of the ongoing sovereign debt crisis among certain countries of the Eurozone, particularly Greece; in the United States, there is uncertainty over the timing and effect of an interest rate increase by the Federal Reserve; and there is also uncertainty about the expected level of growth of a number of emerging countries, and in particular, China in light of its recent series of interest rate cuts in response to an economic slowdown and recent declines and volatility of its stock market, along with its ability to successfully rebalance its economy toward more consumption and less investment, as well as the potential effects of conflicts in the Middle East on global financial markets and economic conditions.

In the event of any economic downturn in Japan or elsewhere, which may be characterized by higher unemployment, lower household income, lower corporate earnings, lower business investment and lower consumer spending, the demand for insurance and annuity products could be adversely affected. Policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. We may also experience an elevated incidence of claims and surrenders or lapses of policies. In addition, such downturns generally result in lower interest yields and declines in equity prices, which negatively affects our net investment income. Accordingly, adverse or worsening economic conditions in Japan or elsewhere could adversely affect our business, financial condition and results of operations.

Our investment portfolio exposes us to a number of risks.

Generating stable investment income is important to our operations. We invest in a variety of asset classes, including Japanese government and corporate bonds, foreign government and corporate bonds, domestic stocks, foreign stocks, loans, real estate and alternative investments. These assets are subject to the normal risks associated with these kinds of investments, including the risk that changes in market prices, interest rates, foreign exchange rates, market indices, levels of volatility, price correlations, liquidity or other market factors might result in losses for a specific position or portfolio and the risk that a counterparty to a transaction might fail to perform under its contractual commitment, resulting in the incurrence of losses, which create significant challenges in managing our large investment portfolio and can result in declines in our revenues and profit margins. The material risks to which our investment portfolio exposes us are summarized below.

Equity securities risk. We maintain equity holdings in Japanese and foreign companies. For example, as of June 30, 2015, domestic stocks and foreign stocks accounted for 12.3% and 4.2%, respectively, of the total assets in our general account. Global financial markets, including the domestic stock markets, have experienced severe volatility in recent years. Although the Nikkei 225 Index has significantly increased since 2012, reaching 20,952.71 as of June 24, 2015, it has continued to experience volatility and was 18,005.49 as of October 5, 2015. Declines in equity prices may decrease the amount of net unrealized gains on available-for-sale securities, which may negatively affect our net assets, total solvency margin and solvency margin ratio. In addition, declines in equity prices may result in losses on valuation or sales of securities, or reversal of the reserve for price fluctuation, and thus may also adversely affect our business, financial condition and results of operations.

Interest rate risk. In general, our liabilities to policyholders have a longer duration than our investment assets. Therefore, during periods of declining interest rates, our average yield on investment declines as maturing investments, along with bonds and loans that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments that provide lower yields. This reduces the yield on our investment portfolio while premiums remain generally unchanged on outstanding policies. As a result, our profitability and ability to meet long-term policy commitments can be materially and adversely affected. For example, the significant decline in yen interest rates during the 1990s resulted in a lower average yield on our investment portfolio than the assumed yield used to set premium levels on then-existing policies, a phenomenon known as "negative spread." In recent years, we have significantly diminished negative spread through reductions in average assumed yield and also improvements in investment portfolio yields. At the closing of accounts for the year ended March 31, 2015, we recorded interest surplus for the fourth consecutive year. However, there can be no assurance that our efforts to avoid or maintain a low level of negative spread will continue to be successful.

In periods of increasing interest rates, although an increase in interest rates increases investment yields, it also reduces the fair value of fixed-income investments classified as available-for-sale securities that we acquired prior to such increase, thereby adversely affecting net assets. Such an increase in interest rates may also prompt surrenders of policies, including single premium individual whole life insurance policies, as policyholders seek investments with higher returns. In October 2014, the Bank of Japan (the "BOJ") announced an expansion of its monetary easing measures and reaffirmed its 2% inflation target initially set in January 2013, which was further reaffirmed by the BOJ in September 2015. Because interest rates are often determined by considering inflation trends, inflation may result in an increase in interest rates. In addition, an increasing budget deficit may also result in an increase in interest rates.

As a result, both decreases and increases in interest rates, particularly when they occur suddenly, could have a material adverse effect on our financial condition.

In an effort to manage our investment assets in a manner appropriate to our liabilities, which arise from the insurance policies we underwrite, we engage in asset liability management, or ALM, which considers the long-term balance between assets and liabilities in an effort to ensure stable returns. Any failure to conduct ALM activities in an appropriate manner, or any significant changes in market conditions beyond what our ALM activities can reasonably address, could have a material adverse effect on our financial condition.

Foreign exchange risk. Our exposure to fluctuations in foreign exchange rates results mainly from our holdings of stocks and bonds denominated in currencies other than the yen, in particular, the U.S. dollar and the euro. As of June 30, 2015, 18.3% of our general account assets was denominated in foreign currencies. We hedge our foreign exchange risk with respect to a portion of the principal of our foreign currency-denominated fixed income investments. While some of our non-yen-denominated general account investments have been hedged against foreign exchange risk, the foreign exchange markets have been experiencing significant volatility and significant strengthening of the yen against major foreign currencies may expose us to the risk of significant foreign exchange losses.

Credit risk. Credit risk refers to the risk of incurring losses when the value of assets, primarily bonds and loans, declines or disappears due to deterioration of the financial condition of a party to whom credit has been extended. We are subject to a variety of credit risks, including the risk that issuers of bonds we hold may suffer a decline in creditworthiness or default on principal and interest payments due on their obligations or that the counterparties to the over-the-counter derivative instruments with which we hedge market risk will default. Domestic and foreign bonds represented 46.6% and 16.4% of the total assets in our general account, respectively, as of June 30, 2015. Any decline in the creditworthiness of issuers of bonds we hold or default by such issuers on payments due on their respective obligations or any failure by a counterparty to honor the terms of its derivative instruments with us could lead to losses or reduced gains on valuation or sales of securities. Such losses and reduced gains would have an adverse effect on our financial condition and results of operations. In addition, loans represented 14.2% of the total assets in our general account as of March 31, 2015 and 13.9% as of June 30, 2015. Loans to domestic corporations, mainly in the manufacturing, public projects, wholesale and financial sectors, constituted 88.7% of our loans as of March 31, 2015. We are exposed to the risk that the financial condition of our borrowers will erode, which could lead to increased credit costs in our lending portfolio. We provide for an allowance for doubtful accounts based on evaluations and estimates regarding borrowers; however, actual losses on loans could exceed the amount of the allowance and, in the event of failures or a deterioration of the creditworthiness of borrowers, we could be required to increase allowance amounts.

Real estate investment risk. As of June 30, 2015, real estate represented 2.5% of the total assets in our general account. Real estate prices (*koji-kakaku*) continued to decrease during the years ended March 31, 2013 and 2014, although in the year ended March 31, 2015 residential property prices decreased at a lessened pace and commercial property prices have been steady, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. Average real estate prices in Tokyo, Osaka and Nagoya declined in the year ended March 31, 2013, and although they increased in each of the years ended March 31, 2014 and 2015, remain subject to uncertainty. Our real estate-related income may decrease in the future due to declines in real estate prices or market rents, failure to lease available properties or other factors. Our financial condition and results of operations could be materially and adversely affected as a result.

A reduction or perceived reduction in our financial strength, including as a result of any downgrade of our credit or financial strength ratings or outlook, or any negative events related to our business or the Japanese life insurance industry could have a material adverse effect on our business, financial condition and results of operations.

Developments that have the effect of reducing our actual or perceived financial strength could result in increases in policy surrenders and withdrawals, increased funding costs or decreases in new policy sales and other difficulties with respect to our investment, funding and capital-raising activities. Such effects could be caused by an actual or potential downgrade of our credit or financial strength ratings or outlook by credit rating agencies or a significant decline in our solvency margin ratio, as well as by negative media coverage, rumors or developments concerning our business or the Japanese life insurance industry. Significant declines in our solvency margin ratio, particularly in comparison with other major Japanese life insurance companies, may also result in our being unable to raise financing in the capital markets on favorable terms, or at all, and could have a material adverse effect on our business, financial condition and results of operations.

Differences between future claims and benefits and the actuarial assumptions used in pricing and establishing reserves for insurance and annuity products may have a material adverse effect on our business, financial condition and results of operations.

Our earnings depend significantly upon the extent to which actual claims and benefits are consistent with the assumptions used in pricing our products and determining the appropriate amount of policy reserves. Such assumptions include future mortality and morbidity rates, investment returns and expenses related to our business. Actual mortality and morbidity rates that are higher, investment returns that are lower or expenses that exceed those projected could have a material adverse effect on our business, financial condition and results of operations. In recent years, we have increased our sales efforts with respect to products that insure non-traditional risks, including third-sector insurance products (a term used in Japan to refer to products such as medical insurance, cancer insurance and nursing care insurance products). The assumptions used in pricing such products involve an elevated degree of uncertainty, as they are often based on limited experience when compared to assumptions used for life insurance and annuity products covering traditional risks.

Pursuant to the Insurance Business Act, we calculate our required policy reserves periodically and record any necessary changes in those reserves as expenses or revenues. To the extent that actual claims are less favorable than the assumptions originally used, or if changing circumstances require us to modify our underlying assumptions, we could be required to increase our policy reserves going forward for new policies. For example, in April 2013, the assumed yield used in calculating our standard policy reserve decreased due to a decrease in long-term interest rates, which required us to increase our policy reserves for new policies and resulted in an increase in the pricing of our products, which, together with a corresponding increase in competition among life insurance companies, led to a decline in sales volume of certain price-sensitive products, such as level premium saving policies. In addition, in July 2015, the assumed yield for single premium individual whole life insurance policies decreased due to a further decrease in the standard prospective yield for such policies, the effects of which remain uncertain. Increases in policy reserves, if significant, could have a material adverse effect on our business, financial condition and results of operations.

We derive the majority of our sales from individual life insurance policies and individual annuity products.

Although we derive a significant portion of our sales from the group life insurance and group annuity markets, we derive the majority of our sales from the individual life insurance and individual annuity markets. For example, for the year ended March 31, 2015, revenues from individual life insurance policies and individual annuity products represented 54.7% and 10.4%, respectively, of our total revenues on a non-consolidated basis. For the same period, revenues from group life insurance policies and group annuity products represented 9.1% and 24.6%, respectively, of our total revenues on a non-consolidated basis.

A variety of factors affect the Japanese market for individual life insurance policies and individual annuity products, including:

- long-term demographic trends affecting the composition of Japan's population, such as declining or low birthrates and the overall aging of the population;
- levels of employment and household income in Japan;
- the relative attractiveness of alternative savings and investment products; and
- public perception of the financial strength, integrity and reputation of life insurance companies.

In particular, the market for mortality insurance has continued to shrink in line with Japan's declining population. Changes in these and other factors could result in a decrease in sales of new individual life insurance policies and individual annuity products, an increase in policy surrenders or a decrease in the profitability of our products, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our risk management policies and procedures may be ineffective.

Our risk management policies and procedures are designed to address a broad range of risks, encompassing risks relating to insurance underwriting, investments, liquidity, operations, reputation and affiliated companies. Many of our methods of managing risks and exposures are based on observed historical market behavior or statistics based on historical data. Such methods may inadequately predict future losses, which could be significantly greater than indicated by the relevant historical data. Other risk management methods depend in part on our evaluation of publicly available information regarding markets, customers or other factors. Such information may not always be accurate, complete, up-to-date or properly evaluated. In addition, our risk management procedures depend in part on the consolidation of information gathered from our numerous offices and other sources, and errors may be introduced during the process of gathering and compiling such information. Management of operational risk requires, among other things, policies and procedures to record and verify a large number of transactions and events, and our policies and procedures may not be entirely effective. Operational errors by our employees, strategic partners or third-party service providers could result in reputational or financial harm to us or regulatory sanctions. More generally, any failure or ineffectiveness of our risk management policies or procedures could have a material adverse effect on our business, financial condition and results of operations.

In addition, we aim to achieve competitive differentiation from our peers by further developing our domestic life insurance business and expanding our overseas insurance business to secure greater opportunities for future profit in the global market. To this end, we intend to broaden and diversify the range of products and services that we offer while expanding our customer base. We may have difficulty, however, in achieving the risk management improvements necessary to manage the risks associated with such expansion, product diversification and increased scale. Failure to adapt our risk management policies and procedures to changes in our business and in the environment in which we operate could have a material adverse effect on our business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management."

We are exposed to liquidity risk.

Many of our products permit policyholders to make policy withdrawals of a portion of accumulated premiums and to surrender their policies in return for the payment of a predetermined amount. We manage our liabilities and configure our investment portfolios to provide and maintain sufficient liquidity to meet anticipated withdrawal and surrender demands, payments of policy benefits and requests to pledge collateral in relation to derivative contracts with financial and other institutions. However, a portion of our assets, such as real estate, loans, certain alternative investments, and securities that are not publicly traded, are generally illiquid. If we are required to pay significant amounts of cash on short notice, for example, due to unanticipated withdrawal or surrender activities or a catastrophic event such as a pandemic or natural disaster, we could exhaust our liquid assets and be forced to liquidate other assets, possibly on unfavorable terms. In addition, turmoil in financial markets could lead to a liquidity crisis in which we are unable to dispose of our otherwise liquid assets on favorable terms or at all. If we are forced to dispose of assets on unfavorable terms or are unable to dispose of assets, our financial condition and results of operations could be materially and adversely affected. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Liquidity Risk Management.”

Changes in relationships with or performance of strategic partners could harm our business, financial condition and results of operations.

We have entered into a number of business alliances with strategic partners in the interest of increasing our long-term profitability. The overseas life and non-life insurance entities in which we have invested include Founder Meiji Yasuda Life Insurance Co., Ltd., Talanx AG, TU Europa S.A., TUiR Warta S.A., PT AVRIST Assurance and Thai Life Insurance Public Company Limited. We have also established partnerships with overseas companies such as Haier Group. Domestically, entities in which we have made significant minority investments include Japan Pension Service Co., Ltd., The Mitsubishi Asset Brains Company, Limited, Defined Contribution Plan Consulting of Japan Co., Ltd. and MST Insurance Service Co., Ltd. See “Business—Overseas Operations and Strategic Alliances” and “Business—Domestic Strategic Alliances.” If such strategic partners encounter financial or other business difficulties, if their strategic objectives change or if they come to believe that we are no longer an attractive alliance partner, they may no longer desire or be able to participate in alliances with us, which could have an adverse effect on our business, financial condition and results of operations. In addition, in cases where such alliances are accompanied by our capital participation in the alliance partners, it may become difficult for us to terminate the alliance or recover invested capital.

Any failure or delay in completing the proposed acquisition of StanCorp could adversely impact future business and operations.

On July 23, 2015, we entered into a merger agreement for the proposed acquisition of all outstanding shares of common stock of StanCorp, a U.S. life insurance company listed on the New York Stock Exchange, for an aggregate value of approximately $5.0 billion in cash. However, the proposed acquisition is subject to a number of closing conditions, including without limitation approval by the holders of a majority of the outstanding shares of StanCorp’s common stock at a special shareholder meeting expected to be held on November 9, 2015, approvals or clearances by various governmental authorities including U.S. and Japanese insurance regulators, and the accuracy at closing of the representations and warranties made in the merger agreement. In addition, at any time prior to receipt of shareholder approval, StanCorp may provide information to and negotiate with third parties who submit an alternative acquisition proposal that the board of directors of StanCorp has determined, after consultation with outside counsel and its financial advisor, is or could reasonably be expected to be a “superior proposal.” Subject to the satisfaction of all closing conditions, we currently expect the transaction to close during the first quarter of 2016. However, either party may terminate the merger agreement if the merger is not consummated by April 25, 2016, subject to extension by either party until July 25, 2016 in the event of delays in obtaining regulatory approvals. For more information on the terms of the merger agreement, see “Proposed Acquisition of StanCorp—Certain Terms of the Merger Agreement.” As a result of these uncertainties, there can be no assurance that we will be able to complete the proposed acquisition under the contemplated terms or proposed timeframe or at all. If the proposed acquisition is not completed, we may incur acquisition-related expenses, including, potentially, the payment of damages in compensation for lost benefits in the case of a termination due to our non-performance or breach, without realizing the expected benefits.

If the proposed acquisition of StanCorp is completed, we will be subject to various risks related to integrating its operations with our group and to StanCorp’s businesses.

If the proposed acquisition of StanCorp is completed, we expect to integrate StanCorp’s businesses into our operations, which will be a complex and time-consuming process and may not be successful. Even if we successfully integrate these businesses into our operations, there can be no assurance that we will realize the anticipated benefits. StanCorp will be our largest overseas investment to date, and we do not have prior experience operating an overseas life insurance business of this scale. Accordingly, we will be dependent to a significant degree on the retention and future performance of StanCorp’s existing management team. Other potential risks from the proposed acquisition include:

- the assumption of unknown or underestimated liabilities;
- the challenge of managing larger and more complex operations and facilities, and employees from different corporate cultures located in different geographic areas;

- inability to hire and retain key management and personnel of StanCorp;
- inability to realize synergies or other expected benefits;
- failure to maintain StanCorp's existing distributor relationships, as StanCorp relies in large part on independent brokers for the sale of its products, as well as other relationships;
- the potential termination of agreements between StanCorp and third parties triggered by the change of control of StanCorp in connection with the proposed acquisition;
- a reduction or perceived reduction in our financial strength, together with a resulting downgrade in our credit ratings; and
- retaining StanCorp's customers.

StanCorp's current businesses are also affected by underwriting and investment risks applicable to life insurers and other categories of risk described elsewhere in this section. Macroeconomic risks, market risks and legal and regulatory developments will be affected by trends in the United States, where StanCorp operates. Other risks that may affect StanCorp's operations include:

- reliance on third parties for distribution of its products in its "Insurance Services" and "Asset Management" segments;
- counterparty risks in StanCorp's material agreements such as reinsurance contracts; and
- rapidly evolving and complex regulatory requirements in the United States, at both the federal and state levels.

We expect to recognize substantial goodwill as a result of the proposed acquisition of StanCorp, and changes in future business conditions could cause goodwill to become impaired.

We expect to record a significant amount of goodwill in connection with the proposed acquisition of StanCorp. We expect to amortize the goodwill attributable to the proposed acquisition over a period of up to 20 years in accordance with Japanese GAAP. We will be required to evaluate periodically whether such goodwill has become impaired, and the impairment test is based on several factors requiring judgment. If goodwill becomes impaired, we would be required to recognize impairment losses that would adversely affect our results of operations and financial condition.

We are subject to risks associated with our international operations and continuing overseas expansion.

As evidenced by our proposed acquisition of StanCorp, we have been expanding our overseas insurance operations in an effort to secure revenue sources outside of the Japanese market. Through overseas representative offices, subsidiaries and affiliates, as well as through business alliances and tie-ups, we engage in the life and non-life insurance business in various markets around the world, including markets such as the United States, China, Indonesia, Thailand and Poland. While we believe these markets to have growth potential, with respect to emerging markets, there can be no assurance that penetration rates for life and non-life insurance products will increase to the extent we expect or to the levels seen in more mature markets.

Our international operations and continuing overseas expansion, including in particular our proposed acquisition of StanCorp, expose us to a number of risks, including:

- unfavorable political or economic factors;
- fluctuations in foreign currency exchange rates;
- potentially adverse tax consequences;
- difficulties and uncertainties in obtaining and maintaining necessary government or regulatory approvals;
- unexpected legal or regulatory changes;
- limited understanding of customer needs, market conditions and local regulations;
- difficulties in recruiting and retaining personnel and managing international operations;

- less developed infrastructures;
- the occurrence of natural or man-made disasters, or acts of violence or war; and
- competition with other multinational or local firms.

Although forming long-term partnerships with prominent overseas insurance and asset management companies and steadily expanding our operations in other countries around the world is a part of our corporate strategy, because of the risks associated with overseas expansion, including the risks described above, there can be no assurance that this expansion will be successful. We may suffer impairment losses on our overseas investments and could withdraw from markets where we do not achieve our intended goals.

Any potential future reorganization from a mutual company to a stock company may not produce the intended benefits.

We are a mutual company owned through membership interests held by participating policyholders and holders of our insurance and annuity products with rights to receive policyholder dividends. Accordingly, we have no share capital and cannot raise capital through equity offerings or conduct mergers or acquisitions utilizing stock. In the future, we may determine that a greater degree of flexibility to raise capital and implement acquisitions provided by reorganizing as a stock company, also known as "demutualization," is advantageous to us and our stakeholders. However, there is no assurance that we could successfully take advantage of such perceived benefits of demutualization. In addition, demutualization would subject us to additional reporting and compliance obligations, which may lead to increased operating expenses.

We may be unable to hire, train or retain a sufficient number of qualified sales representatives and other personnel.

Competition to attract qualified sales representatives is intense in the Japanese life insurance industry. Like many of our competitors, our business depends to a significant extent on our ability to hire, train and retain qualified sales representatives. There is generally a high rate of turnover among sales representatives in the Japanese life insurance industry. Our efforts to retain or replace productive sales representatives may be unsuccessful. Other employees, including investment and actuarial personnel, also require a high level of expertise, and special efforts are required to attract, train and retain qualified personnel. If we are unable to attract, train and retain qualified and experienced sales representatives and other personnel, or if we find it necessary to offer increased sales incentives to retain sales representatives and other personnel, this could have a material adverse effect on our business, financial condition and results of operations.

Our plans to maintain sales of life insurance products through the bancassurance channel may be unsuccessful.

We have expanded our lineup of life insurance products that we sell through banks and other financial institutions, and we rely on this bancassurance channel as one of our key channels, along with our sales representatives channel, for new sales. We mainly sell individual annuities and single premium individual whole life insurance through the service counters of the bancassurance channel under agency agreements with over 100 financial institutions throughout Japan, including banks, securities companies and credit unions. Because our relationships with these financial institutions are non-exclusive due to potential antitrust concerns, the level of sales of our products through these agents depends on the competitiveness of our products relative to those of our competitors, including as to pricing, benefits and other features. As a result, competition among life insurance companies to obtain and maintain bancassurance relationships is intense.

Although we aim to maintain stable sales via this channel, there can be no assurance that we will succeed in maintaining our sales or achieving targeted profitability, or that we will be able to provide products that are suitable to the bancassurance channel or compete effectively.

Our financial condition and results of operations will be negatively affected if we are required to reduce our deferred tax assets.

Pursuant to Japanese GAAP, we establish, with respect to each consolidated entity, deferred tax assets for tax benefits that are expected to be realized during a period that is reasonably foreseeable, net of deferred tax liabilities. The calculation of deferred tax assets is based on various assumptions, including assumptions with respect to future taxable income. Adverse changes in economic conditions or other factors could lead us to decrease our estimated future taxable income which would require us to increase the valuation allowance for our deferred tax assets. As a result, we would recognize additional income tax expense and our results of operations could be materially adversely affected.

In addition, changes in Japanese tax policies could result in the reduction of our deferred tax assets. For example, in June 2014, the Cabinet Office of Japan (the "Cabinet Office") endorsed a new economic and fiscal policy blueprint, and the effective corporate income tax rate of companies generally in Japan was reduced from 34.62% to 32.11% starting in April 2015. Such effective corporate income tax rate is scheduled to be further reduced to 31.33% or less in April 2016, and further reductions have been proposed by the Cabinet Office. In the event our effective statutory tax rate decreases, our results of operations would likely improve in the mid- to long-term. On the other hand, a decrease in our effective statutory tax rate may require us to reverse our deferred tax assets estimated based on the corporate income tax rates in effect prior to the reform, and this could have an adverse effect on our results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates—Deferred Tax Assets and Deferred Tax Liabilities."

Any failure of information technology systems could harm our business, financial condition and results of operations.

We rely heavily on information technology systems, including those of third-party service providers, to manage customer policies, manage investments in assets, record and maintain statistics and personal information of our customers and in other areas of our operations. As we expand our operations and product offerings, our information technology systems may require additional expenditure. Moreover, in September 2013, we introduced a tablet terminal device called "Meister Mobile," which enables our sales representatives to perform conversational consulting services and quick and easy paperless application processes during customer visits.

Our information technology systems could fail due to various causes, including problems affecting the Internet generally or damage to equipment, software or networks as a result of accidents, fires, natural disasters, power loss, high user volume, human error, sabotage, hacking, employee misconduct, software and hardware defects and malfunctions, viruses or network security breaches. Any such failure could disrupt the services that we provide to customers at our offices, our payments and collections or the use of our Meister Mobile devices by our sales representatives, among other things. Such failures could also have other adverse consequences, including reputational damage, customer dissatisfaction and a loss of customer confidence, which could result in increased policy surrenders, a decrease in new policy sales and legal or regulatory sanctions.

In addition, because our operations and information technology and other systems, as well as those of our third-party service providers and business partners, are concentrated in metropolitan areas in Japan, an earthquake, tsunami or other disaster affecting such metropolitan areas could significantly disrupt our operations. There can be no assurance that we or our third-party service providers and business partners would be able to resume service in a timely fashion, or at all, in the event of any such natural disaster.

If our customers' personal information is lost, accidentally disclosed or misappropriated, or if information security is otherwise breached, we could be subject to reputational harm or legal claims.

We make extensive use of online services and centralized data processing, including through third-party service providers, and the Meister Mobile devices carried by our sales representatives handle and transmit personal information of our customers. Secure maintenance and transmission of confidential information is therefore a critical element of our operations. Information security measures that we implement or that are implemented by our third-party sales agencies, our third-party service providers or our business partners may be insufficient to prevent the loss, accidental disclosure or misappropriation of customer information, or the compromise of information and communications systems. Inadvertent loss, disclosure or misappropriation of customer information by our own employees or our sales representatives would subject us to similar risks. Japanese media, regulators and consumers have intensified their scrutiny of incidents involving the loss, disclosure or misappropriation of personal information in recent years. In addition, the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended) (the "Personal Information Protection Act") imposes stringent regulatory requirements applicable to our handling of customers' personal information. If we were to lose customers' personal information or if a third party were able to penetrate our network security, or that of our third-party sales agencies, service providers or business partners, or otherwise misappropriate personal information of our customers, we could be subject to reputational harm, legal claims or sanctions by regulatory authorities.

Misconduct by sales representatives, other employees, third-party sales agencies, third-party service providers or customers could subject us to losses.

Although we have taken steps to prevent or detect misconduct by sales representatives, other employees, third-party sales agencies or third-party service providers, there can be no assurance that we will succeed in preventing such misconduct or any resulting legal violation, regulatory sanction or reputational or financial harm to us. Misconduct can include, among other things, illegal sales practices, fraud, identity theft, non-payment of insurance claims and loss or misuse of personal information. The vast majority of our sales representatives, other employees, third-party sales agencies and third-party service providers operate with considerable autonomy. Moreover, our sales representatives, some of our other employees, third-party sales agencies and third-party service providers have direct contact with customers and knowledge of their personal and financial information.

Customers may also engage in fraudulent activities, including fraudulent use of policies or the use of false identities to open policies. Customers who have not revealed that they are members of anti-social groups may also enter into transactions with us. Though we have adopted measures to prevent or detect such fraudulent activities, our efforts may prove ineffective in preventing fraudulent or illegal activity or transactions with antisocial groups. In the event our sales representatives, other employees, third-party sales agencies, third-party service providers or customers engage in any misconduct, our reputation could be seriously damaged and we could become subject to significant legal liabilities and regulatory sanctions.

Declines in our pension assets or revisions in actuarial assumptions could increase our pension costs.

We may in the future incur losses relating to our pension plans from changes in the market values of plan assets, declines in returns on our pension plan assets or changes in the assumptions and investment returns on which the calculation of the projected pension benefit obligation is based. We may also experience unrecognized prior service costs in the future resulting from amendments to our pension plans.

We are involved in litigation related to our insurance operations from time to time, which could result in financial losses or otherwise harm our businesses.

From time to time, we are involved in litigation related to our insurance operations. While we cannot predict the outcome of any pending or future litigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition and results of operations. However, given the inherent unpredictability of litigation, it is possible that an adverse outcome could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Life Insurance Industry

Demographic trends in Japan will continue to have an adverse effect on the Japanese life insurance industry.

Since the 1970s, Japan’s birthrate has generally been in decline and is currently one of the lowest in the world. As a result, the number of people aged between 15 and 64 declined by 8.5% from 86.3 million in 2000 to 79.0 million in 2013. This age group represents Japan’s potential workforce and includes in any given year substantially all of our customers for core insurance products with death benefits. Partly due to the above demographic trend, total life insurance policy amounts in force for all life insurance companies in Japan declined by 12.5% from ¥1,564 trillion as of March 31, 2006 to ¥1,368 trillion as of March 31, 2015, according to The Life Insurance Association of Japan (the “Life Insurance Association”). The National Institute of Population and Social Security Research of Japan projects that the number of people aged between 15 and 64 will decrease from 79.0 million in 2013 to an estimated 67.7 million in 2030 and will continue to decline for decades thereafter. If these trends continue to lead to reduced demand for life insurance products, the scale of our life insurance business may diminish, which could have a material adverse effect on our business, financial condition and results of operations.

Competition in the Japanese financial services industry is increasing.

We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Competition in the Japanese life insurance market has increased in recent years due to industry deregulation, targeting of the bancassurance channel by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. Japan's financial sector has also experienced significant consolidation in recent years, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Japan Post Holdings Co., Ltd. ("Japan Post Holdings") is a government-owned holding company with three primary subsidiaries through which it provides Japan's primary postal service, operates Japan's post offices, conducts deposit-taking and other banking activities and engages in the life insurance business. Japan Post Insurance, Japan Post Holdings' life insurance subsidiary, enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post Co., Ltd. ("Japan Post") and favorable public perception of its stability due to its association with the government. In 2008, Japan Post Insurance began agency sales of the insurance products of a number of life insurance companies. Pursuant to the amendment to the Postal Service Privatization Act of Japan (Act No. 97 of 2005, as amended) (the "Postal Service Privatization Act"), which became effective in October 2012, the once-suspended process of disposal of the shares of Japan Post Insurance has resumed. The Postal Service Privatization Act provides that Japan Post Holdings must dispose of the shares of Japan Post Insurance as soon as practicable while paying attention to Japan Post Insurance's operating environment and the influence on Japan Post Holdings' responsibility to maintain universal services. The Japanese government is also required to dispose of its shares of Japan Post Holdings. As the first phase of the privatization, consisting of the initial public offerings of Japan Post Holdings, Japan Post Insurance and Japan Post Bank Co., Ltd. ("Japan Post Bank"), Japan Post Holdings' banking subsidiary, listing applications for these companies were approved by the Tokyo Stock Exchange on September 10, 2015, and shares of the three companies are expected to be listed on November 4, 2015. Following the listing of Japan Post Insurance, Japan Post Holdings is expected to own approximately 89% of Japan Post Insurance. While the Postal Service Privatization Act provides that Japan Post Holdings must eventually dispose of all of its shares of Japan Post Insurance, Japan Post Holdings has announced its intention, as an initial matter, to reduce its equity interest in Japan Post Insurance in multiple stages to around 50%. There is uncertainty over the timing of the completion of the privatization of Japan Post Insurance. The Postal Service Privatization Act also provides that the Japanese government must maintain possession of more than one third of Japan Post Holdings' equity interest. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage. As we compete with Japan Post Insurance in our primary business operations, we may be adversely affected by such competition. In addition, Japan Post Holdings has expanded its business alliance with American Family Life Assurance Company of Columbus ("AFLAC"), under which, among other things, Japan Post Insurance sells AFLAC cancer insurance policies and Japan Post has increased the number of post offices offering such policies. Furthermore, such competition may intensify as a result of deregulation of Japan Post Insurance accompanying such privatization or any favorable treatment given to Japan Post Insurance by the government. See "The Japanese Life Insurance Industry—Japan Post Insurance and Cooperative Insurance." We may also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Deregulatory measures have permitted securities companies and banks to engage in sales of all types of life insurance and annuity products since 2007. Any future deregulatory measures that favor large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. In addition, any future deregulatory measures that further relax the regulatory barriers between different financial services industries in Japan could intensify competition within these industries. There have been new entrants to the Japanese life insurance industry that rely on the Internet as their primary sales channel and operate with a low cost structure. While we believe that we are currently not in direct competition with these new market entrants, it is possible that we may face increasing price competition in the future.

Increased competitive pressures resulting from these and other factors may cause our new policies to decline and policy surrenders to increase, which could have a material adverse effect on our business, financial condition and results of operations.

As a Japanese insurance company, we are subject to extensive oversight of our business practices and must maintain a solvency margin ratio at or above required levels.

As a Japanese insurance company, we are subject to extensive oversight, including comprehensive regulation by the FSA under the Insurance Business Act and related regulations. The law places restrictions on the types of businesses in which we may engage, imposes limits on the types of investments that we may make and requires us to maintain specified reserves and a minimum solvency margin ratio. The Insurance Business Act also gives the Commissioner of the FSA broad regulatory powers over our business, including the authority to suspend operations, request information and conduct rigorous on-site inspections of books and records. In addition, we generally must receive prior approval of the Commissioner of the FSA for the sale of new insurance products and changes in the pricing terms of our products. See "Regulations—Regulation of the Japanese Life Insurance Industry."

Currently, we are required to maintain a solvency margin ratio (a measure of capital adequacy) of at least 200%. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio." If we fail to maintain our solvency margin ratio and other indicators of financial soundness at or above required levels, the Commissioner of the FSA could require us to take a variety of corrective actions. See "Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Prompt corrective action."

In April 2010, amendments to the relevant regulations on the calculation of solvency margin ratio were promulgated to improve the credibility of Japanese solvency margin ratio regulations. Among other things, the amendments introduced restrictions on the inclusion of certain items in the amount of solvency margin, limited the amount of subordinated debt and surplus portion of insurance premium reserve and unearned premiums to "core margin," tightened risk assessments and required confirmation of the appropriateness of solvency margin ratio calculations by an actuary. For details of the amendments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio" and "Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation—Solvency margin ratio."

The amendments took effect as of March 31, 2012, and we have been required to use this new calculation standard from the year ended March 31, 2012. Other amendments to the regulations, which also took effect as of March 31, 2012, included a new requirement for insurance companies to calculate their solvency margin ratio on a consolidated basis as well as on a non-consolidated basis.

Furthermore, in connection with the development and possible introduction of new standards for solvency assessment by the International Association of Insurance Supervisors (the "IAIS"), the FSA, which is a member of the IAIS, has announced a plan to discuss the adoption of an economic-value based solvency regime and use of internal models in the course of its medium-term review of solvency margin regulations. Specifically, the FSA mentioned the possibility of adopting an economic-value based solvency regime in its supervisory guideline for the one-year period from July 2009 to June 2010, while also mentioning the necessity of understanding practical issues facing insurance companies. Starting in June 2010, the FSA first conducted field tests of an economic-value based solvency regime covering all insurance companies and published the results in 2011. The FSA began conducting additional field tests in June 2014. In July 2015, the FSA published the results of these additional field tests and announced its intention to conduct further examinations toward the adoption of a specific framework concerning the economic value-based solvency regime. Although the timing of the adoption is yet to be decided, it is likely that the discussion regarding its adoption will continue. The adoption of such an economic-value based solvency regime is expected to result in regulations significantly different from existing regulations and may have a significant impact on the operations and asset management of the Japanese life insurance industry given the responsive nature of such a regime to fluctuations in interest rates. Additional requirements that may be proposed in the future, such as the risk-based global insurance capital standard currently developed by the IAIS as part of its Common Framework for the Supervision of Internationally Active Insurance Groups ("IAIG") or the recovery and resolution planning, group-wide supervision and higher loss-absorbency requirements developed for global systemically important insurers ("G-SIIs"), could result in significant changes to the current solvency margin regulations. If we are designated as an IAIG or G-SII, we could become subject to these new requirements potentially resulting in new limitations on our business or investment activities.

Future changes in laws and regulations applicable to us, as well as judicial and other interpretations, could adversely affect our business, financial condition and results of operations.

Changes in laws and regulations and their interpretations, including by courts, and changes in government policies regarding their enforcement could adversely affect our new policy sales, lead to increased compliance risk, increase the level of competition we face or otherwise adversely affect our business. Examples of such changes that have had, or could have, an adverse effect on our business, financial condition and results of operations are described below.

In March 2012, the FSA tightened capital adequacy rules for internationally active banks and certain financial institutions, reflecting proposals made under Basel III on raising the quality, consistency and transparency of the capital base and enhancing risk coverage. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources." Such heightened capital requirements, and other potential future regulatory changes, including further tightening of capital adequacy rules and potential restrictions on holdings of the securities of other Japanese financial institutions by Japanese banks and bank holding companies, could make investments in our foundation funds and subordinated debt or securitized products relating to our foundation funds less attractive to Japanese banks and bank holding companies, which could adversely affect our ability to raise capital.

In addition, income tax laws permit individuals to deduct for income tax purposes all or a portion of the premium payments on almost all of the insurance and annuity products purchased from us. Similarly, corporate and small business policyholders are permitted to deduct as a business expense, subject to certain conditions, all or a portion of the costs of premiums on certain types of life insurance products, such as term life insurance, and on annuity products. These and other favorable tax provisions enhance the appeal of our insurance and annuity products to our customers. Japanese tax reform in 2010 added a deduction for individual premium payments on long-term care insurance and health care insurance products, but reduced the maximum deduction for premium payments on life insurance and annuity products purchased on and after January 1, 2012. These or any further changes in Japanese tax laws or regulations that negatively affect the tax treatment of premiums on our insurance and annuity products could adversely affect our new policy sales.

Changes to accounting standards relating to the calculation of policy reserves could have a material adverse effect on our reported financial condition and results of operations.

The Insurance Business Act and related regulations and guidelines set forth the standards under which policy reserves are calculated. Changes to such standards that would require us to increase our policy reserves could have a material adverse effect on our reported financial condition and results of operations. For example, the International Accounting Standards Board is currently considering new accounting standards for insurance contracts, including current value accounting for liabilities. If current value accounting for liabilities is adopted under Japanese GAAP in the future, we may be required to calculate policy reserves based on the current value of policy obligations taking into account factors such as current interest rate levels, which could increase the volatility of our reported financial condition and results of operations as compared to currently applicable accounting standards.

Failure of other Japanese life insurance companies could require us to increase our contributions to industry-wide policyholder protection funds and could undermine consumer confidence.

We, like other Japanese life insurance companies, are required to support policyholders of failed life insurance companies through payments to The Life Insurance Policyholders Protection Corporation of Japan (the "LIPPC"). The LIPPC was established pursuant to the Insurance Business Act in 1998 to provide a new system for the protection of policyholders of failed life insurance companies. The LIPPC is authorized to provide funds in connection with the transfer of insurance policies from a failed life insurance company to a successor company and perform certain other specified functions. See "Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders."

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium income and policy reserves. The allocation amounts are revised annually. All of our payments to the LIPPC are charged to operating expenses when paid.

We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years. However, as stated above, this amount is adjusted annually based on the relative size of our premium income and policy reserve amounts within the life insurance industry as a whole and could be increased.

The proportion of required contributions allocated to us could increase if our income from insurance premiums and policy reserves increases relative to other life insurance companies in Japan. In the event of a future failure of a Japanese life insurance company or if the legal requirements for contributing to the LIPPC change, we may be required to make additional contributions to the LIPPC, and our business, financial condition and results of operations could be materially and adversely affected. The failure of other Japanese life insurance companies could also damage the reputation of the Japanese life insurance industry in general and undermine consumer confidence in Japanese life insurers, which could lead to a decrease in our sales of new policies or an increase in lapses or surrenders of existing policies.

Catastrophes could result in significant losses and disruptions to our business operations.

We are exposed to the risk of unpredictable liabilities for insurance claim payments in the event of catastrophic mortality in Japan due to a pandemic, such as avian or swine flu, or catastrophic events, such as earthquakes, tsunamis, wars, foreign attacks, terror attacks and other more localized disasters affecting Tokyo or other densely populated areas in Japan. Physical damage and other effects of such catastrophes could result in significant disruptions to our business operations. In addition, although we maintain a contingency reserve consistent with industry practice and accounting standards, the reserve may not be adequate to cover actual claim liabilities.

Risks Related to the Notes

We have the right and under certain circumstances will be required to defer interest payments on the Notes for an indefinite period of time.

We will have the right, in our sole discretion, to defer payment of all (and not less than all) of the interest accrued on the Notes on any interest payment date, so long as such interest payment date is not a mandatory interest deferral date. Furthermore, we will be required to defer payment of all (and not less than all) of the interest on the Notes that shall have accrued as of an interest payment date upon the occurrence of certain mandatory interest deferral events, which include any failure to meet certain regulatory capital requirements, as well as a payment deferral on the Notes or any liquidation parity security. During any such deferral, holders of the Notes will receive no payments on the Notes, and will have no remedies against us for non-payment. Even during any such deferral, the Notes do not restrict our ability to make payments on foundation funds or liquidation parity securities or any of our instruments, in each case, by whose terms such non-payment is not permitted, or to make distributions to our policyholders (*shain haitou*). See "Description of the Notes—Deferral of Interest Payments; Arrears of Interest."

Subordination of the Notes could hinder investors' ability to receive payment.

Upon the occurrence of a subordination event, any amounts payable under the Notes will be subordinated in right of payment to the prior payment of all of our senior indebtedness. Senior indebtedness means all benefits and claims and other liabilities (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken),* as defined in the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended) (the "Bankruptcy Act")) other than liabilities under the Notes, any liquidation parity securities, claims of holders of interests in the foundation funds or claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment. We expect to incur additional indebtedness and other obligations from time to time that will constitute senior indebtedness, and the Indenture does not contain any provisions restricting our ability to incur senior indebtedness, including with respect to the amount of any such senior indebtedness. See "Description of the Notes—Status of the Notes; Subordination."

There are only limited rights of acceleration under the terms of the Notes.

The trustee with respect to the Notes may only accelerate payment of the principal and accrued and unpaid interest on the Notes in limited circumstances. The Notes may not be accelerated upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant in relation to the Notes or upon the occurrence of any other event in relation to the Notes other than a subordination event, which would only occur in the event that liquidation, bankruptcy, reorganization or rehabilitation proceedings shall have commenced with respect to us or in the event that we shall have become subject to other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, and in such cases, payment on the Notes would remain subject to subordination.

We may redeem the Notes at our option on or after October 20, 2025, and upon the occurrence of certain tax or special events.

We will have the option to redeem the Notes in whole (but not in part), subject to compliance with applicable regulatory requirements, on October 20, 2025 and any reset date thereafter. In addition, we will have the option to redeem the Notes in whole (but not in part) at any time upon the occurrence of an additional amounts event (as defined herein) or certain special events. Any redemption of the Notes will be subject to the conditions described under "Description of the Notes—Redemption." If the Notes are redeemed, holders may not be able to reinvest the money received upon such redemption at the same rate of return. For the tax consequences to holders of a redemption, see "Taxation."

We may not redeem the Notes on October 20, 2045.

If, on October 20, 2045, conditions for final redemption are not met, we will not redeem the Notes until the next interest payment date on which such conditions are met. In the event of such a redemption deferral, the return of your initial investment will be deferred, potentially indefinitely.

The market for the Notes may be limited.

Prior to the offering, there has been no trading market for the Notes. A market for the Notes may not develop or, if it does develop, it may not provide holders or beneficial owners of the Notes with sufficient liquidity of investment or continue for the life of the Notes. Although approval in-principle has been received for the listing of the Notes on the SGX-ST, there can be no assurance that any liquid markets for the Notes will ever develop or be maintained. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all. In addition, the market value of the Notes may fluctuate. Consequently, any sale by holders of the Notes in any secondary market which may develop may be at a discount from the original purchase price of the Notes.

The ratings of the Notes may be lowered or withdrawn.

It is expected that the Notes will be assigned with ratings of A3 by Moody's Investors Service and BBB+ by Standard & Poor's. In addition, other ratings agencies may assign credit ratings to the Notes without solicitation or request from, or provision of information by, us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the relevant rating is assigned. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the relevant rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors in the Notes and adversely affect the price and liquidity of the Notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

Optional or mandatory deferral of interest payments, conditions on redemption upon maturity and other characteristics of the Notes could adversely affect the market price of the Notes.

The Notes contain provisions that permit us to defer interest payment on the Notes at our election or obligate us to defer interest payment on the Notes or redemption on maturity under certain specified circumstances. We currently do not intend to exercise our right to defer payments of interest on the Notes. However, as a result of these optional and mandatory deferral provisions, the market price of the Notes may be more volatile than the market price of other securities that are not subject to such provisions. Further, if interest payments on the Notes are deferred due to our exercising such right or due to the occurrence of certain specified events, or if redemption on maturity is deferred due to a failure to meet the redemption conditions, the market price of the

Notes is likely to be affected. If interest or redemption on maturity is deferred and you elect to sell Notes during the period of that deferral, you may not receive the same return on your investment as a holder that continues to hold its Notes until we pay the deferred interest or principal. The Notes are unlike traditional subordinated debt securities, not only with respect to the possible optional or mandatory deferral of interest and with respect to the conditions to redemption upon maturity, but also in that holders will have limited remedies. In addition, because we are a mutual company, the Notes do not contain compulsory interest payment provisions until after the occurrence of a demutualization event, and the payment stoppage provision of the Notes does not restrict our ability to make payments on foundation funds, which rank junior to the Notes as to priority of liquidation payment. The payment stoppage provision also does not restrict our ability to make payments on existing or future liquidation parity securities or any of our instruments, in each case, by whose terms such non-payment is not permitted, or to make distributions to our policyholders. Investor demand for securities with the characteristics of the Notes may change as these characteristics are assessed by market participants, regulators, rating agencies and others. Accordingly, the Notes that you purchase, whether pursuant to the offer made by this offering circular or in the secondary market, may trade at a significant discount to the price that you paid.

Changes in our capital structure and the terms of the Notes resulting from a future demutualization may adversely affect holders of the Notes.

We may determine that demutualization is advantageous to us and our stakeholders. However, demutualization would result in changes in our capital structure, which may or may not be beneficial for holders of the Notes. For example, as a result of demutualization, our common stock which would be issued and serve as a capital buffer that is junior to the Notes while our foundation funds would be redeemed or contributed in kind for shares of the reorganized company prior to the effectiveness of the demutualization pursuant to the Insurance Business Act. While certain procedural safeguards are in place, such as approval of an entity conversion plan by a three-quarter majority vote of attending representative policyholders at a board of representative policyholders and authorization by the FSA, the redemption of our foundation funds may result in our capital being significantly lower than prior to demutualization. In addition, upon demutualization, the terms of the Notes will be automatically revised such that we may make payments of interest or principal on, or repay or redeem, other instruments that are *pari passu* with or junior to the Notes, even if any payment on the Notes has been deferred and continues to be in deferral. While we do not have any current plan or intention to demutualize, if we determine to demutualize while the Notes are still outstanding, your rights as holders may be adversely affected.

The characterization of the Notes for U.S. federal income tax purposes is uncertain.

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. To the extent required for U.S. federal income tax purposes, we intend to treat the Notes as non-contingent debt obligations with a term of ten years. Our treatment of the Notes is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts, and the Notes might be subject to alternative possible characterizations. For example, the Notes could be recharacterized as our equity due to certain features such as their subordination and the potential deferral of payments, or as "contingent payment debt instruments" for U.S. federal income tax purposes. If the treatment of the Notes were successfully challenged, the timing, amount and character of income inclusions on the Notes could be affected. Although we do not have any current plan or intention to demutualize, U.S. investors should note that were we to demutualize in the future the tax treatment to the U.S. investors of the demutualization and the treatment of the Notes following demutualization is uncertain and may depend on facts and circumstances which are not currently known. Prospective purchasers of Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization). See "Taxation—Certain U.S. Federal Income Tax Considerations."

There could be FATCA withholding after 2018.

Provisions of U.S. tax law commonly referred to as "FATCA" impose 30% withholding on certain payments made to non-U.S. financial institutions (including intermediaries) that are not participating foreign financial institutions ("PFFIs") or otherwise exempt from FATCA withholding. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department ("Treasury") pursuant to which it agrees to perform specified due diligence and reporting functions and withhold 30% from certain “foreign passthru payments” (which term is not yet defined) that it makes to certain persons. In general, no FATCA withholding will apply to payments made on non-U.S. debt obligations that are outstanding prior to the date that is six months after the date on which final Treasury regulations defining the term “foreign passthru payments” are published (the “grandfathering date”). Therefore, no FATCA withholding will apply to payments made by us on the Notes provided that the Notes are not recharacterized as our equity (as described above in “—The characterization of the Notes for U.S. federal income tax purposes is uncertain”) or materially modified on or after the grandfathering date. We are a financial institution for FATCA purposes and have registered with the IRS to become a PFFI, in compliance with the intergovernmental agreement (“IGA”) to facilitate the implementation of FATCA between the United States and Japan. The U.S.-Japan IGA, and IGAs the United States has entered into with other jurisdictions, do not address how foreign passthru payments will be treated or whether withholding on such payments will be required by financial institutions subject to the IGAs. Any FATCA withholding with respect to foreign passthru payments will not apply before the later of January 1, 2019 and the date of publication of final Treasury regulations defining the term “foreign passthru payments.” If payments on the Notes were subject to FATCA withholding, no additional amounts would be payable by us and any amounts so withheld would be treated as paid for all purposes under the Notes.

Use of Proceeds

The aggregate gross proceeds from the offering of the Notes is $2.0 billion. We expect that the estimated aggregate net proceeds of the offering of the Notes, after deducting the initial purchasers' discounts and other estimated expenses related to the offering, will be approximately $1.97 billion. We intend to use the net proceeds for general corporate purposes.

Capitalization

The following table sets forth our consolidated capitalization as of June 30, 2015 and as adjusted to reflect only the issuance of the Notes offered hereby, but not the use of proceeds therefrom, the compensation of the initial purchasers or the reimbursement for certain expenses relating to the present offering. The following table should be read in conjunction with the financial statements and notes thereto included elsewhere in this offering circular.

	As of June 30, 2015			
	Actual		As adjusted	
	(Billions of yen and millions of dollars)			
Loans payable[1]	¥ 100.0	$ *816*	¥ 100.0	$ *816*
Notes offered hereby[2]	–	–	244.9	*2,000*
Net assets:				
Foundation funds	260.0	*2,123*	260.0	*2,123*
Reserve for redemption of foundation funds	470.0	*3,838*	470.0	*3,838*
Reserve for revaluation	0.4	*3*	0.4	*3*
Surplus	341.5	*2,789*	341.5	*2,789*
Net unrealized gains on available-for-sale securities	2,968.3	*24,241*	2,968.3	*24,241*
Deferred unrealized gains on derivatives under hedge accounting	12.5	*102*	12.5	*102*
Land revaluation differences	118.9	*971*	118.9	*971*
Minority interests[3]	4.2	*34*	4.2	*34*
Total net assets	4,179.2	*34,130*	4,179.2	*34,130*
Total capitalization[2][4]	¥ 4,279.2	$ *34,946*	¥ 4,524.1	$ *36,946*

Notes:

(1) As of June 30, 2015, loans payable consists of ¥100.0 billion of subordinated debt, the repayment of which is subordinated to other senior obligations and is recorded as other liabilities in our financial statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources" for further details.

(2) Translation of the dollar amount of the Notes into yen has been made at the rate of $1.00 = ¥122.45, the approximate rate of exchange prevailing as of June 30, 2015.

(3) For fiscal periods beginning from the three months ended June 30, 2015, "minority interests" has been renamed as "non-controlling interests" in accordance with recent changes in accounting standards. However, for purposes of this table, we have used the line item name set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Changes in Accounting Standards" for further details.

(4) Except as disclosed above and in this offering circular, there has been no material change in our consolidated capitalization since June 30, 2015.

Selected Financial Data and Other Information

The following selected consolidated and non-consolidated financial data as of and for the years ended March 31, 2013, 2014 and 2015 are derived from our audited financial statements. Such audited financial statements as of and for the years ended March 31, 2013, 2014 and 2015 are included in this offering circular. The following selected consolidated and non-consolidated financial data as of and for the years ended March 31, 2011 and 2012 are derived from our audited financial statements, which are not included in this offering circular. The following selected consolidated and non-consolidated financial data as of and for the three months ended June 30, 2014 and 2015 are derived from our unaudited quarterly financial statements as of and for the three months ended June 30, 2014 and 2015. Our unaudited consolidated and non-consolidated quarterly financial statements as of and for the three months ended June 30, 2014 and 2015 are not included in this offering circular. The information set forth below should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements contained elsewhere in this offering circular.

We prepare our financial statements in accordance with Japanese GAAP, which may differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States and International Financial Reporting Standards ("IFRS").

	Year ended March 31,					
Consolidated Statements of Income:	**2011**	**2012**	**2013**	**2014**	**2015**	***2015***
	(Billions of yen and millions of dollars)					
Ordinary income:						
Insurance premiums and other	¥ 3,963.6	¥ 5,203.2	¥ 3,679.8	¥ 3,638.2	¥ 3,431.4	*$ 28,023*
Investment income	670.9	699.5	864.5	981.6	1,030.4	*8,415*
Other ordinary income	188.3	213.5	184.3	161.4	137.9	*1,126*
Total ordinary income	4,822.8	6,116.2	4,728.7	4,781.4	4,599.8	*37,565*
Ordinary expenses:						
Benefits and other payments	2,215.9	2,288.3	2,300.6	2,287.4	2,607.5	*21,294*
Provision for policy reserves and other reserves	1,556.4	2,702.2	1,343.2	1,403.4	955.7	*7,805*
Investment expenses	190.1	111.9	108.4	111.8	97.9	*800*
Operating expenses	388.4	411.6	364.9	364.7	361.5	*2,952*
Other ordinary expenses	242.8	228.0	211.1	189.1	190.5	*1,555*
Total ordinary expenses	4,593.8	5,742.2	4,328.3	4,356.5	4,213.3	*34,408*
Ordinary profit	228.9	374.0	400.3	424.8	386.4	*3,156*
Extraordinary gains	1.5	0.9	9.8	1.4	5.9	*48*
Extraordinary losses	85.3	47.2	123.3	130.2	28.1	*229*
Surplus before income taxes and minority interests	145.1	327.7	286.9	296.0	364.3	*2,975*
Income taxes:						
Current	21.0	38.6	85.7	123.9	119.7	*977*
Deferred	(7.4)	117.6	(35.5)	(69.4)	(21.1)	*(172)*
Surplus before minority interests	131.5	171.4	236.7	241.5	265.7	*2,170*
Minority interests	0.1	(1.2)	0.0	0.8	0.3	*2*
Net surplus	¥ 131.3	¥ 172.7	¥ 236.7	¥ 240.6	¥ 265.4	*$ 2,167*

Consolidated Statements of Changes in Net Assets:	2011	2012	2013	2014	2015	*2015*
	Year ended March 31,					
	(Billions of yen and millions of dollars)					
Total net assets:						
Beginning balance	¥1,395.7	¥1,250.8	¥1,678.6	¥2,710.6	¥2,894.7	*$ 23,639*
Cumulative effect of change in accounting policies	–	–	–	–	2.7	*22*
Beginning balance after reflecting accounting policy changes	–	–	–	–	2,897.4	*23,662*
Changes in the fiscal year:						
Issuance of foundation funds	60.0	50.0	100.0	50.0	60.0	*489*
Additions to policyholders' dividend reserves	(123.0)	(118.3)	(133.4)	(152.8)	(158.0)	*(1,291)*
Additions to reserve for redemption of foundation funds	60.0	–	–	–	60.0	*489*
Payment of interest on foundation funds	(1.0)	(0.7)	(1.3)	(2.1)	(2.5)	*(21)*
Net surplus	131.3	172.7	236.7	240.6	265.4	*2,167*
Redemption of foundation funds	(60.0)	–	–	–	(60.0)	*(489)*
Reversal of reserve for fund redemption	(60.0)	–	–	–	(60.0)	*(489)*
Reversal of land revaluation difference	5.4	1.8	(12.4)	1.5	(7.0)	*(57)*
Net changes, excluding funds, reserves and surplus	(157.5)	322.2	842.5	46.8	1,185.1	*9,678*
Net changes in the fiscal year	(144.8)	427.7	1,031.9	184.0	1,282.8	*10,476*
Ending balance	¥1,250.8	¥1,678.6	¥2,710.6	¥2,894.7	¥4,180.3	*$ 34,139*

Consolidated Statements of Income:	Three months ended June 30, 2014	2015	2015
	(Billions of yen and millions of dollars)		
Ordinary income:			
Insurance premiums and other	¥ 949.0	¥ 978.7	*$ 7,993*
Investment income	295.2	206.9	*1,690*
Other ordinary income	39.4	30.5	*249*
Total ordinary income	1,283.7	1,216.2	*9,932*
Ordinary expenses:			
Benefits and other payments	704.9	632.9	*5,169*
Provision for policy reserves and other reserves	240.6	319.1	*2,606*
Investment expenses	21.9	49.6	*405*
Operating expenses	85.7	91.8	*750*
Other ordinary expenses	47.1	59.7	*488*
Total ordinary expenses	1,100.5	1,153.4	*9,419*
Ordinary profit	183.1	62.7	*512*
Extraordinary gains	0.0	0.0	*0*
Extraordinary losses	51.3	5.3	*43*
Surplus before income taxes and minority interests(1)	131.7	57.4	*468*
Income taxes—Current	17.1	6.4	*52*
Income taxes—Deferred	0.1	(0.0)	*(0)*
Surplus before minority interests(1)	114.5	51.0	*416*
Minority interests(1)	(0.0)	0.0	*0*
Net surplus(1)	¥ 114.5	¥ 51.0	*$ 416*

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "surplus before income taxes and minority interests" has been renamed as "surplus before income taxes and non-controlling interests," "surplus before minority interests" has been renamed as "net surplus," "minority interests" has been renamed as "net surplus attributable to non-controlling interests" and "net surplus" has been renamed as "net surplus attributable to the parent company" in accordance with recent changes in accounting standards. However, for purposes of this table, we have used the line item names set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Changes in Accounting Standards" for further details.

Consolidated Balance Sheets:	As of March 31, 2011	2012	2013	2014	2015	*2015*	As of June 30, 2015	*2015*
	(Billions of yen and millions of dollars)							
Total assets	¥ 27,128.5	¥ 29,727.7	¥33,080.6	¥34,334.0	¥36,579.6	*$ 298,731*	¥36,891.7	*$ 301,280*
Policy reserves and other reserves	24,288.9	26,928.5	28,254.8	29,654.2	30,592.9	*249,840*	31,009.8	*253,245*
Total liabilities	25,877.6	28,049.1	30,369.9	31,439.3	32,399.2	*264,591*	32,712.4	*267,149*
Net assets:								
Foundation funds	60.0	110.0	210.0	260.0	260.0	*2,123*	260.0	*2,123*
Reserve for redemption of foundation funds	410.0	410.0	410.0	410.0	470.0	*3,838*	470.0	*3,838*
Reserve for revaluation	0.4	0.4	0.4	0.4	0.4	*3*	0.4	*3*
Surplus	200.0	255.4	344.9	432.0	472.5	*3,858*	341.5	*2,789*
Total funds, reserve and surplus	670.4	775.9	965.3	1,102.5	1,202.9	*9,824*	1,071.9	*8,754*
Net unrealized gains on available-for-sale securities	528.6	827.8	1,641.0	1,739.7	2,838.5	*23,181*	2,968.3	*24,241*
Deferred unrealized gains on derivatives under hedge accounting	(5.2)	(1.5)	3.8	0.9	15.4	*126*	12.5	*102*
Land revaluation differences	72.8	95.0	107.6	106.0	118.9	*971*	118.9	*971*
Foreign currency translation adjustments	(21.0)	(22.3)	(10.7)	7.2	22.8	*186*	19.9	*162*
Remeasurements of defined benefit plans	–	–	–	(66.0)	(22.8)	*(186)*	(16.7)	*(136)*
Total accumulated other comprehensive income	575.2	899.0	1,741.7	1,787.9	2,973.0	*24,279*	3,103.1	*25,341*
Minority interests[1]	5.2	3.6	3.4	4.2	4.2	*34*	4.2	*34*
Total net assets	¥ 1,250.8	¥ 1,678.6	¥ 2,710.6	¥ 2,894.7	¥ 4,180.3	*$ 34,139*	¥ 4,179.2	*$ 34,130*

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "minority interests" has been renamed as "non-controlling interests" in accordance with recent changes in accounting standards. However, for purposes of this table, we have used the line item name set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Changes in Accounting Standards" for further details.

Other Non-consolidated Data:	2011	2012	2013	2014	2015	*2015*
	As of and for the year ended March 31,					
	(Billions of yen, millions of dollars and thousands of policies, except percentages and number of sales representatives)					
Number of new policies:						
Individual insurance	1,105.8	1,242.5	926.9	901.5	1,008.6	–
Individual annuities	158.6	195.6	252.1	181.5	167.3	–
Number of policies in force for individual insurance and annuities	10,613.9	10,975.6	11,131.3	11,252.0	11,284.0	–
Amount of new policies:						
Individual insurance	¥ 4,013.5	¥ 4,451.5	¥ 2,033.4	¥ 2,276.3	¥ 1,519.7	*$ 12,411*
Individual annuities	¥ 874.3	¥ 1,103.6	¥ 1,398.8	¥ 958.6	¥ 847.8	*$ 6,924*
Policy amount in force for individual insurance and annuities	¥104,466.2	¥101,553.8	¥ 96,952.8	¥ 92,840.5	¥88,329.4	*$ 721,351*
Annualized net premium from new policies	¥ 211.3	¥ 276.2	¥ 194.9	¥ 178.8	¥ 169.2	*$ 1,382*
Annualized net premium from third-sector products	¥ 21.9	¥ 20.6	¥ 22.8	¥ 25.8	¥ 32.6	*$ 266*
Annualized net premium from policies in force(1)	¥ 1,832.7	¥ 1,991.6	¥ 2,066.1	¥ 2,125.2	¥ 2,141.3	*$ 17,487*
Insurance premiums and other	¥ 3,944.6	¥ 5,184.0	¥ 3,659.3	¥ 3,616.2	¥ 3,408.4	*$ 27,835*
Interest, dividends and other income	¥ 536.0	¥ 577.0	¥ 618.9	¥ 667.6	¥ 698.1	*$ 5,701*
Base profit(2)	¥ 310.5	¥ 370.9	¥ 394.5	¥ 460.4	¥ 506.3	*$ 4,135*
Expense profit(3)	¥ 46.3	¥ 48.2	¥ 53.5	¥ 53.5	¥ 44.8	*$ 365*
Mortality profit(4)	¥ 265.2	¥ 303.5	¥ 298.3	¥ 287.5	¥ 292.8	*$ 2,391*
Interest surplus (positive/negative spread)(5)	¥ (1.0)	¥ 19.2	¥ 42.5	¥ 119.3	¥ 168.6	*$ 1,376*
Total funds, reserve and surplus(6)	¥ 682.8	¥ 787.5	¥ 975.8	¥ 1,111.7	¥ 1,212.0	*$ 9,898*
Loans payable(7)	¥ 100.0	¥ 100.0	¥ 100.0	¥ 100.0	¥ 100.0	*$ 816*
Solvency margin ratio (former calculation standards)(8)	1,156.8%	–	–	–	–	–
Solvency margin ratio (current calculation standards)	663.6%(9)	749.6%	930.3%	945.5%	1,041.0%	–
Real net assets(10)	¥ 3,422.3	¥ 4,024.4	¥ 5,940.5	¥ 6,438.0	¥ 8,899.3	*$ 72,677*
General account	¥ 26,380.7	¥ 28,961.6	¥ 32,240.7	¥ 33,504.5	¥ 35,613.3	*$ 290,840*
Number of sales representatives	30,163	29,284	28,925	28,731	30,101	–
Persistency rate for individual insurance and annuities:						
13 months	93.5%	94.1%	94.0%	93.6%	93.6%	–
25 months	83.9%	86.7%	87.3%	86.6%	86.0%	–
Surrender and lapse ratio for individual insurance and annuities	5.43%	4.96%	4.79%	4.57%	4.41%	–
Average annual yield of general account assets(11)	2.02%	2.10%	2.33%	2.71%	2.72%	–

Notes:

(1) Annualized net premium from policies in force includes totals for individual insurance and individual annuities. Annualized net premium is calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single premium policies, annualized net premium is calculated by dividing the total premium by the insured period.

(2) Base profit is defined as base revenues (insurance premiums and other and investment income (excluding capital gains)) less base expenses (benefits and other payments, provision for policy reserves (excluding those presented on the statements of income as provision for policy reserves deemed to be temporary gains/losses), investment expenses (excluding capital losses) and operating expenses). In addition, base profit can also be seen as consisting of the following three components: expense profit, mortality profit and interest surplus (positive/negative spread). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Base Profit" for further details.

(3) Expense profit is the difference between (x) the actual amount of business expenses and (y) the expected business expenses calculated based on the business expense rates estimated at the time insurance premiums are set.

(4) Mortality profit is the difference between (x) the actual amount of insurance claims and benefit payments and (y) the expected amount of insurance claims and benefit payments based on the occurrence rate of insurance events estimated at the time insurance premiums are set.

(5) Interest surplus (positive/negative spread) is the difference between (x) actual investment returns and (y) assumed yields on investment estimated at the time insurance premiums are set. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Interest Surplus (positive/negative spread)" for further details.

(6) Total funds, reserve and surplus consists of foundation funds, reserve for redemption of foundation funds, reserve for revaluation and surplus.

(7) Loans payable consists of ¥100.0 billion of subordinated debt, the repayment of which is subordinated to other senior obligations and is recorded as other liabilities in our financial statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources" for further details.

(8) The calculation standards for solvency margin gross amount and total amount of risk were modified by the Japanese government pursuant to certain amendments to the Ordinance for Enforcement of the Insurance Business Act (Ordinance of the Ministry of Finance of Japan (the "Ministry of Finance") No. 5 of 1996, as amended) (the "Ordinance for Enforcement of the Insurance Business Act"), and the Ministry of Finance Public Notice No. 50, issued in 1996, which became effective from the year ended March 31, 2012.

(9) For reference purposes only. The current solvency margin ratio calculation standards became effective from the year ended March 31, 2012.

(10) Calculated by subtracting non-capital real liabilities from real assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Real Net Assets" for further details.

(11) Average annual yield of general account assets is calculated using the net amount of investment income and investment expenses (but excluding gains and losses related to separate account assets) as the numerator and the daily average of the carrying value of general account assets as the denominator.

	As of and for the three months ended June 30,		
Other Non-consolidated Data:	**2014**	**2015**	***2015***
	(Billions of yen, millions of dollars and thousands of policies, except percentages)		
Number of new policies:			
Individual insurance	225	249	–
Individual annuities	44	41	–
Number of policies in force for individual insurance and annuities	11,237	11,305	–
Amount of new policies:			
Individual insurance	¥ 455.7	¥ 681.5	*$ 5,565*
Individual annuities	¥ 248.1	¥ 202.3	*$ 1,652*
Policy amount in force for individual insurance and annuities	¥ 91,610.1	¥ 87,449.9	*$ 714,168*
Annualized net premium from new policies	¥ 43.0	¥ 49.0	*$ 400*
Annualized net premium from third-sector products	¥ 7.3	¥ 8.6	*$ 70*
Annualized net premium from policies in force(1)	¥ 2128.0	¥ 2,157.4	*$ 17,618*
Insurance premiums and other	¥ 942.8	¥ 971.9	*$ 7,937*
Interest, dividends and other income	¥ 164.7	¥ 168.6	*$ 1,376*
Base profit(2)	¥ 108.2	¥ 115.5	*$ 943*
Total funds, reserve and surplus(3)	¥ 1,072.0	¥ 1,085.1	*$ 8,862*
Loans payable	¥ 100.0	¥ 100.0	*$ 816*
Solvency margin ratio	971.1%	1,024.7%	-
Real net assets(4)	¥ 6,705.9	¥ 8,826.6	*$ 72,084*
General account	¥ 33,463.2	¥ 35,958.0	*$ 293,654*

Notes:

(1) Annualized net premium from policies in force includes totals for individual insurance and individual annuities. Annualized net premium is calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single premium policies, annualized net premium is calculated by dividing the total premium by the insured period.

(2) Base profit is defined as base revenues (insurance premiums and other and investment income (excluding capital gains)) less base expenses (benefits and other payments, provision for policy reserves (excluding those presented on the statements of income as provision for policy reserves deemed to be temporary gains/losses), investment expenses (excluding capital losses) and operating expenses). In addition, base profit can also be seen as consisting of the following three components: expense profit, mortality profit and interest surplus (positive/negative spread). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Base Profit" for further details.

(3) Total funds, reserve and surplus consists of foundation funds, reserve for redemption of foundation funds, reserve for revaluation and surplus.

(4) Calculated by subtracting non-capital real liabilities from real assets.

	As of and for the year ended March 31,		
Embedded Value Data:[1]	**2014**	**2015**	***2015***
	(Billions of yen and millions of dollars)		
Embedded value:	¥ 4,218.5	¥ 5,490.5	*$ 44,838*
Selected movement analysis of embedded value			
Value of new business	181.1	166.0	*1,355*
Expected existing business contribution at the risk-free rate	6.5	2.0	*16*
Expected existing business contribution in excess of the risk-free rate	224.2	298.0	*2,433*
Non-economic experience variances	(10.8)	38.1	*311*
Non-economic assumptions changes	113.7	86.1	*703*
Economic variances	312.4	598.2	*4,885*
Other variances	–	80.4	*656*

Note:

(1) Embedded value figures are calculated in accordance with European Embedded Value Principles (the "EEV Principles") as set forth in the May 2004 publication, European Embedded Value Principles, and related guidance published by the CFO Forum, an organization representing the chief financial officers of leading European life insurers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value" for further details.

Exchange Rates

The table below sets forth, for each period indicated, the noon buying rate in New York City for cable transfers in Japanese yen as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese yen per $1.00. On September 30, 2015, the latest practicable date for which exchange rate information was available, the noon buying rate for Japanese yen was ¥119.81 to $1.00. No representation is made that the yen or dollar amounts referred herein could have been converted to dollars or yen, as the case may be, at any particular rate or at all.

Year ended or ending March 31,	At end of period	Average (of month-end rates)	High	Low
	(Yen per dollar)			
2011	¥ 82.76	¥ 85.00	¥ 94.68	¥ 78.74
2012	82.41	78.86	85.26	75.72
2013	94.16	83.26	96.16	77.41
2014	102.98	100.46	105.25	92.96
2015	119.96	110.78	121.50	101.26
2016 (through September 30, 2015)	119.81	121.83	125.58	118.56
Most recent six months:				
April			¥ 120.36	¥ 118.80
May			124.18	119.09
June			125.58	122.10
July			124.38	120.54
August			124.90	118.56
September			120.94	119.05

The exchange rates are reference rates and are not necessarily the rates used to calculate ratios or the rates used to convert yen to dollars in the financial statements included elsewhere in this offering circular.

Quarterly Consolidated and Non-consolidated Financial Information

The following information is derived from the audited consolidated and non-consolidated financial statements as of March 31, 2015, and the unaudited quarterly consolidated and non-consolidated financial statements as of and for the three months ended June 30, 2014 and 2015. The audited consolidated and non-consolidated financial statements as of March 31, 2015 are included in this offering circular. The unaudited quarterly consolidated and non-consolidated financial statements as of and for the three months ended June 30, 2014 and 2015, are not included in this offering circular.

Consolidated Balance Sheets Information as of March 31, 2015 and June 30, 2015

The following table sets forth balance sheet data on a consolidated basis as of March 31, 2015 and June 30, 2015:

	As of March 31, 2015	As of June 30, 2015	*As of June 30, 2015*
	(Millions of yen and millions of dollars)		
Assets:			
Cash and deposits	¥ 240,038	¥ 244,309	*$ 1,995*
Call loans	368,000	285,000	*2,327*
Monetary claims bought	229,523	230,633	*1,883*
Securities	29,256,897	29,708,009	*242,613*
Loans	5,076,391	5,037,220	*41,136*
Tangible fixed assets	932,531	930,965	*7,602*
Intangible fixed assets	64,183	64,040	*522*
Due from agents	1,647	1,022	*8*
Reinsurance receivables	675	811	*6*
Other assets	317,794	296,372	*2,420*
Net defined benefit assets	74,345	76,145	*621*
Deferred tax assets	1,779	1,743	*14*
Customers' liabilities under acceptances and guarantees	20,848	20,858	*170*
Allowance for possible loan losses	(5,034)	(5,354)	*(43)*
Total assets	36,579,624	36,891,780	*301,280*
Liabilities:			
Policy reserves and other reserves	30,592,941	31,009,853	*253,245*
Reserve for outstanding claims	114,465	108,690	*887*
Policy reserves	30,225,061	30,543,971	*249,440*
Policyholders' dividend reserves	253,414	357,190	*2,917*
Due to agents	9	14	*0*
Reinsurance payables	804	1,221	*9*
Other liabilities	700,186	538,654	*4,398*
Net defined benefit liabilities	1,084	1,086	*8*
Accrued retirement benefits for directors and executive officers	92	92	*0*
Reserve for contingent liabilities	2	5	*0*
Reserve for price fluctuation	492,907	496,740	*4,056*
Deferred tax liabilities	504,535	558,144	*4,558*
Deferred tax liabilities for land revaluation	85,877	85,812	*700*
Acceptances and guarantees	20,848	20,858	*170*
Total liabilities	32,399,288	32,712,482	*267,149*

	As of March 31, 2015	As of June 30, 2015	*As of June 30, 2015*
	(Millions of yen and millions of dollars)		
Net Assets:			
Foundation funds	260,000	260,000	*2,123*
Reserve for redemption of foundation funds	470,000	470,000	*3,838*
Reserve for revaluation	452	452	*3*
Surplus	472,533	341,518	*2,789*
Total funds, reserve and surplus	1,202,986	1,071,971	*8,754*
Net unrealized gains on available-for-sale securities	2,838,597	2,968,390	*24,241*
Deferred unrealized gains on derivatives under hedge accounting	15,456	12,593	*102*
Land revaluation differences	118,988	118,927	*971*
Foreign currency translation adjustments	22,894	19,940	*162*
Remeasurements of defined benefit plans	(22,862)	(16,746)	*(136)*
Total accumulated other comprehensive income	2,973,074	3,103,105	*25,341*
Minority interests(1)	4,274	4,220	*34*
Total net assets	4,180,335	4,179,297	*34,130*
Total liabilities and net assets	¥36,579,624	¥36,891,780	*$301,280*

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, “minority interests” has been renamed as “non-controlling interests” in accordance with recent changes in accounting standards as discussed below. However, for purposes of this table, we have used the line item name set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular.

We note the following with respect to the consolidated balance sheet data above as of June 30, 2015:

- “Revised Accounting Standard for Business Combinations” (ASBJ Statement No.21) (the “Business Combinations Accounting Standard”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22) (the “Consolidation Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7) (the “Business Divestitures Accounting Standard”) have been applied from the beginning of the three month period ended June 30, 2015. Accordingly, the accounting method has been changed such that the difference associated with changes in equity in our controlled subsidiaries is recorded as surplus, and acquisition-related costs are recorded as expenses for the period in which the costs are incurred. For business combinations implemented on or after April 1, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the quarter containing the date of the business combinations. In addition, the presentation method of net surplus was changed and “minority interests” was renamed as “non-controlling interests.” With respect to application of the Accounting Standards regarding business combinations, the transitional treatments prescribed in 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 have been applied prospectively on and after April 1, 2015. The change has no effect on our ordinary income, surplus before income taxes and minority interests, or surplus.
- As the proposed appropriations of our surplus for the fiscal year ended March 31, 2015 were approved at the annual meeting of the representatives of policyholders held on July 2, 2015, we have included such item as of June 30, 2015 under “surplus” in the table above.
- We calculated our income tax expense by multiplying our quarterly surplus before income tax by a reasonable estimate of the effective income tax rate applicable to our surplus before income tax for the fiscal year ending March 31, 2016. In addition, deferred income taxes is included in current income taxes.
- Our policy reserves include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity

contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts. For the year ended March 31, 2015, we additionally set aside the policy reserves for variable life insurance contracts and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- Changes in policyholders' dividend reserves for the three months ended June 30, 2015 were as follows:

	Three months ended June 30, 2015
	(Millions of yen)
Balance at the beginning of the fiscal year	¥ 253,414
Transfer from surplus in the previous fiscal year	180,044
Dividend payments to policyholders during the three-month period	(76,392)
Interest accrued during the three-month period	123
Balance at the end of the three-month period	357,190

- Securities loaned under security lending agreements, including securities under securities borrowing transactions with cash collateral, amounted to ¥1,637,556 million as of June 30, 2015.
- Other liabilities includes subordinated debt of ¥100,000 million, the repayment of which is subordinated to other obligations.
- On July 23, 2015, we entered into a definitive agreement to acquire 100% of the outstanding shares of common stock of StanCorp. See "Proposed Acquisition of StanCorp."

Consolidated Income and Comprehensive Income Information for the Three Months Ended June 30, 2014 and 2015

The following table sets forth consolidated statement of income data for the three months ended June 30, 2014 and 2015:

	Three months ended June 30, 2014	Three months ended June 30, 2015	*Three months ended June 30, 2015*
	(Millions of yen and millions of dollars)		
Ordinary Income:			
Insurance premiums and other	¥ 949,021	¥ 978,751	*$ 7,993*
Investment income	295,224	206,953	*1,690*
Interest, dividends and other income	160,906	164,158	*1,340*
Gains on money held in trust	–	0	*0*
Gains on sales of securities	100,943	282	*2*
Investment gains on separate accounts	21,922	14,507	*118*
Other ordinary income	39,481	30,516	*249*
Total ordinary income	1,283,726	1,216,221	*9,932*
Ordinary Expenses:			
Benefits and other payments	704,997	632,954	*5,169*
Claims paid	194,978	145,160	*1,185*
Annuity payments	213,937	174,426	*1,424*
Benefit payments	122,711	118,272	*965*
Surrender benefits	108,061	121,896	*995*
Provision for policy reserves and other reserves	240,617	319,166	*2,606*
Provision for policy reserves	240,507	319,055	*2,605*
Provision for interest on policyholders' dividend reserves	109	111	*0*
Investment expenses	21,965	49,698	*405*
Interest expenses	835	833	*6*
Losses on sales of securities	21	498	*4*
Losses on valuation of securities	39	6,214	*50*
Operating expenses	85,772	91,849	*750*
Other ordinary expenses	47,195	59,770	*488*
Total ordinary expenses	1,100,547	1,153,439	*9,419*
Ordinary profit	¥ 183,179	¥ 62,781	*$ 512*
Extraordinary gains	15	0	*0*
Gains on disposal of fixed assets	15	0	*0*
Extraordinary losses	51,396	5,372	*43*
Losses on disposals of fixed assets	420	934	*7*
Impairment losses	700	329	*2*
Provision for reserve for contingent liabilities	0	3	*0*
Provision for reserve for price fluctuation	50,005	3,834	*31*
Contributions for promotion of social welfare project	270	270	*2*
Surplus before income taxes and minority interests(1)	131,797	57,409	*468*
Income taxes	17,271	6,364	*51*
Current	17,161	6,402	*52*
Deferred	110	(38)	*(0)*
Surplus before minority interests(1)	114,526	51,045	*416*
Minority interests(1)	(2)	1	*0*
Net surplus(1)	¥ 114,528	¥ 51,043	*$ 416*

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "surplus before income taxes and minority interests" has been renamed as "surplus before income taxes and non-controlling interests," "surplus before minority interests" has been renamed as "net surplus," "minority interests" has been renamed as "net surplus attributable to non-controlling interests" and "net surplus" has been renamed as "net surplus attributable to the parent company" in accordance with recent changes in accounting standards as discussed above. However, for purposes of this table, we have used the line item names set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular.

We note the following with respect to the consolidated statement of income data above for the three months ended June 30, 2015:

- The details of our impairment losses on fixed assets are as follows:
  - Method for grouping the assets: We group all the fixed assets held and utilized for our insurance business as one asset group for the impairment test. For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.
  - Description of impairment losses recognized: For the three months ended June 30, 2015, we recognized impairment losses on real estate that experienced a significant deterioration of profitability or a significant decline in fair value due to downturn of the real estate market. For these assets, we reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses.
  - Details of fixed assets resulting in impairment losses:

Asset group	Number of properties impaired	Land	Buildings	Total
			(Millions of yen)	
Real estate for non-insurance business	0	–	–	–
Idle assets	8	¥187	¥140	¥327
Total	8	¥187	¥140	¥327

  - Calculation method of recoverable amounts: The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.03% for the three months ended June 30, 2015. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.
- The total amount of depreciation of tangible fixed assets (including real estate for lease) for the three months ended June 30, 2015 was ¥7,721 million.

The following table sets forth our consolidated statement of comprehensive income data for the three months ended June 30, 2014 and 2015:

	Three months ended June 30, 2014	Three months ended June 30, 2015	*Three months ended June 30, 2015*
		(Millions of yen and millions of dollars)	
Surplus before minority interests[1]	¥ 114,526	¥ 51,045	*$ 416*
Other comprehensive income	96,523	130,124	*1,062*
Net unrealized gains on available-for-sale securities	92,663	129,583	*1,058*
Deferred unrealized gains (losses) on derivatives under hedge accounting	4,400	(2,862)	*(23)*
Land revaluation differences	–	27	*0*
Foreign currency translation adjustments . . .	(969)	(153)	*(1)*
Remeasurements of defined benefit plans . . .	2,687	6,113	*49*
Share of other comprehensive income (loss) of associates accounted for under the equity method	(2,259)	(2,582)	*(21)*
Comprehensive income	¥ 211,049	¥ 181,170	*$ 1,479*
Comprehensive income attributable to the Parent Company	211,052	181,162	*1,479*
Comprehensive income (loss) attributable to minority interests[1]	(2)	7	*0*

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "surplus before minority interests" has been renamed as "net surplus" and "comprehensive income (loss) attributable to minority interests" has been renamed as "comprehensive income (loss) attributable to non-controlling interests" in accordance with recent changes in accounting standards as discussed above. However, for purposes of this table, we have used the line item names set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular.

Non-consolidated Balance Sheets Information as of March 31, 2015 and June 30, 2015

The following table sets forth balance sheet data on a non-consolidated basis as of March 31, 2015 and June 30, 2015:

	As of March 31, 2015	As of June 30, 2015	*As of June 30, 2015*
	(Millions of yen and millions of dollars)		
Assets:			
Cash and deposits	¥ 160,050	¥ 187,095	*$ 1,527*
Call loans	368,000	285,000	*2,327*
Monetary claims bought	229,523	230,633	*1,883*
Securities	29,242,263	29,698,181	*242,533*
National government bonds	14,116,333	14,349,669	*117,187*
Local government bonds	768,778	747,586	*6,105*
Corporate bonds	1,822,072	1,816,741	*14,836*
Domestic stocks	4,362,817	4,596,370	*37,536*
Foreign securities	7,553,114	7,565,838	*61,787*
Loans	5,052,238	5,012,671	*40,936*
Policy loans	289,921	285,060	*2,327*
Industrial and consumer loans	4,762,317	4,727,611	*38,608*
Tangible fixed assets	919,835	918,350	*7,499*
Intangible fixed assets	63,717	63,672	*519*
Due from agents	33	6	*0*
Reinsurance receivables	506	679	*5*
Other assets	312,506	290,588	*2,373*
Prepaid pension cost	104,534	97,779	*798*
Customers' liabilities under acceptances and guarantees	20,848	20,858	*170*
Allowance for possible loan losses	(5,034)	(5,354)	*(43)*
Total assets	36,469,024	36,800,162	*300,532*
Liabilities:			
Policy reserves and other reserves	30,526,528	30,942,277	*252,693*
Reserve for outstanding claims	108,483	102,716	*838*
Policy reserves	30,164,629	30,482,370	*248,937*
Policyholders' dividend reserves	253,414	357,190	*2,917*
Reinsurance payables	635	1,107	*9*
Other liabilities	649,112	509,416	*4,160*
Income taxes payable	49,760	–	*–*
Asset retirement obligations	3,539	3,557	*29*
Other liabilities	595,812	505,858	*4,131*
Accrued retirement benefits for directors and executive officers	92	92	*0*
Reserve for contingent liabilities	2	5	*0*
Reserve for price fluctuation	492,482	496,305	*4,053*
Deferred tax liabilities	513,117	564,273	*4,608*
Deferred tax liabilities for land revaluation	85,877	85,812	*700*
Acceptances and guarantees	20,848	20,858	*170*
Total liabilities	32,288,695	32,620,148	*266,395*

	As of March 31, 2015	As of June 30, 2015	*As of June 30, 2015*
	(Millions of yen and millions of dollars)		
Net Assets:			
Foundation funds	260,000	260,000	*2,123*
Reserve for redemption of foundation funds	470,000	470,000	*3,838*
Reserve for revaluation	452	452	*3*
Surplus	481,603	354,731	*2,896*
Reserve for future losses	9,336	9,883	*80*
Other surplus	472,267	344,848	*2,816*
Reserve for fund redemption	80,000	132,000	*1,077*
Fund for price fluctuation allowance	29,764	29,764	*243*
Reserve for promotion of social welfare project	48	330	*2*
Reserve for business infrastructure	75,000	100,000	*816*
Reserve for reduction entry of real estate	23,859	25,123	*205*
Special reserves	2,000	2,000	*16*
Other reserves	85	85	*0*
Unappropriated surplus	261,509	55,544	*453*
Total funds, reserve and surplus	1,212,056	1,085,184	*8,862*
Net unrealized gains on available-for-sale securities	2,833,827	2,963,307	*24,200*
Deferred unrealized gains on derivatives under hedge accounting	15,456	12,593	*102*
Land revaluation differences	118,988	118,927	*971*
Total unrealized gains, revaluation reserves and adjustments	2,968,272	3,094,828	*25,274*
Total net assets	4,180,328	4,180,013	*34,136*
Total liabilities and net assets	¥36,469,024	¥36,800,162	*$300,532*

We note the following with respect to the above non-consolidated balance sheet data as of June 30, 2015:

- As the proposed appropriations of our surplus for the fiscal year ended March 31, 2015 were approved at the annual meeting of the representatives of policyholders held on July 2, 2015, we have included such item as of June 30, 2015 in the table above.
- We calculated our income tax expense by multiplying our quarterly surplus before income tax by a reasonable estimate of the effective income tax rate applicable to our surplus before income tax for the fiscal year ending March 31, 2016. In addition, deferred income taxes is included in current income taxes.
- Our policy reserves include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act." The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts. For the year ended March 31, 2015, we additionally set aside the policy reserves for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act."

- Changes in policyholders' dividend reserves for the three months ended June 30, 2015, were as follows:

	Three months ended June 30, 2015
	(Millions of yen)
Balance at the beginning of the fiscal year	¥ 253,414
Transfer from surplus in the previous fiscal year	180,044
Dividend payments to policyholders during the three-month period	(76,392)
Interest accrued during the three-month period	123
Balance at the end of the three-month period	357,190

- Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,637,556 million as of June 30, 2015.
- Other liabilities includes subordinated debt of ¥100,000 million, the repayment of which is subordinated to other obligations.
- Other liabilities also includes payables under securities borrowing transactions of ¥200,009 million.
- On July 23, 2015, we entered into a definitive agreement to acquire 100% of the outstanding shares of common stock of StanCorp. See "Proposed Acquisition of StanCorp."

Non-consolidated Income Information for the Three Months Ended June 30, 2014 and 2015

The following table sets forth non-consolidated statement of income data for the three months ended June 30, 2014 and 2015:

	Three months ended June 30, 2014	Three months ended June 30, 2015	*Three months ended June 30, 2015*
	(Millions of yen and millions of dollars)		
Ordinary Income:			
Insurance premiums and other	¥ 942,834	¥ 971,989	*$ 7,937*
Insurance premiums	942,707	971,731	*7,935*
Investment income	298,983	211,235	*1,725*
Interest, dividends and other income	164,721	168,610	*1,376*
Gains on money held in trust	–	0	*0*
Gains on sales of securities	100,943	155	*1*
Investment gains on separate accounts	21,922	14,507	*118*
Other ordinary income	35,300	25,810	*210*
Total ordinary income	1,277,118	1,209,036	*9,873*
Ordinary Expenses:			
Benefits and other payments	702,359	630,154	*5,146*
Claims paid	193,162	143,360	*1,170*
Annuity payments	213,918	174,391	*1,424*
Benefit payments	122,180	117,631	*960*
Surrender benefits	107,789	121,572	*992*
Other refunds	63,848	71,266	*582*
Provision for policy reserves and other reserves	239,630	317,851	*2,595*
Provision for policy reserves	239,521	317,740	*2,594*
Provision for interest on policyholders' dividend reserves	109	111	*0*
Investment expenses	21,520	49,151	*401*
Interest expenses	819	813	*6*
Losses on sales of securities	13	498	*4*
Losses on valuation of securities	39	6,214	*50*
Losses on derivative financial instruments	12,205	31,934	*260*
Operating expenses	82,480	88,339	*721*
Other ordinary expenses	44,805	57,091	*466*
Total ordinary expenses	1,090,796	1,142,587	*9,331*
Ordinary profit	¥ 186,322	¥ 66,448	*$ 542*
Extraordinary gains	0	0	*0*
Gains on disposal of fixed assets	0	0	*0*
Extraordinary losses	51,384	5,358	*43*
Losses on disposals of fixed assets	420	934	*7*
Impairment losses	696	327	*2*
Provision for reserve for contingent liabilities	0	3	*0*
Provision for reserve for price fluctuation	49,997	3,822	*31*
Contributions for promotion of social welfare project	270	270	*2*
Surplus before income taxes	134,937	61,090	*498*
Income taxes	16,877	5,903	*48*
Net surplus	¥ 118,060	¥ 55,186	*$ 450*

We note the following with respect to the above non-consolidated statement of income data for the three months ended June 30, 2015:

- The details of our impairment losses on fixed assets are as follows:
  - Method for grouping the assets: We group all the fixed assets held and utilized for our insurance business as one asset group for the impairment test. For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.
  - Description of impairment losses recognized: For the three months ended June 30, 2015, we recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value due to downturn of the real estate market. For these assets, we reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses.
  - Details of fixed assets resulting in impairment losses:

Asset group	Number of properties impaired	Land	Buildings	Total
		(Millions of yen)		
Real estate for non-insurance business	0	–	–	–
Idle assets	8	¥ 187	¥ 140	¥ 327
Total	8	¥ 187	¥ 140	¥ 327

  - Calculation method of recoverable amounts: The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.03% for the three months ended June 30, 2015. Net realizable value is calculated based on the appraisal value with reference to "Real Estate Appraisal Standards" or the publicly announced appraisal value.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our financial statements and notes thereto, included elsewhere in this offering circular. Our financial statements have been prepared in accordance with the provisions of the Insurance Business Act and related regulations thereunder and in conformity with Japanese GAAP, which may differ in certain significant respects from accounting principles generally accepted in other countries, including accounting principles generally accepted in the United States, as well as IFRS. ***Except as otherwise specified, the discussion and analysis of our financial condition and results of operations and all financial information set forth in this section are provided on a consolidated basis.***

This section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are one of the largest private life insurance companies in Japan, as measured by premium income. We operate primarily in Japan, offering a wide range of services and products, including individual and group life insurance and annuities and other insurance products. As of March 31, 2015, we offered services and products to over 6.5 million insured persons in Japan. Our ordinary income consists of insurance premiums and other, investment income and other ordinary income. We earn most of our ordinary income from insurance premiums and other, which accounted for 74.6% and 80.5%, respectively, of our total ordinary income for the year ended March 31, 2015 and the three months ended June 30, 2015.

As of March 31, 2015 and June 30, 2015, our consolidated total assets amounted to ¥36,579.6 billion and ¥36,891.7 billion, respectively, and our non-consolidated total assets amounted to ¥36,469.0 billion and ¥36,800.1 billion, respectively. Our insurance premiums and other amounted to ¥3,431.4 billion and ¥978.7 billion, respectively, for the year ended March 31, 2015 and the three months ended June 30, 2015. As of June 30, 2015, we had a consolidated solvency margin ratio of 1,051.9% (approximately 5.3 times the minimum regulatory requirement) and a non-consolidated solvency margin ratio of 1,024.7% (approximately 5.1 times the minimum regulatory requirement), and we currently have financial strength ratings of AA- from Rating and Investment Information, Inc., A+ from Japan Credit Rating Agency, Ltd., A1 from Moody's Investors Service and A from Standard & Poor's.

Factors Affecting Results of Operations

Key factors affecting our financial condition and results of operations include the following.

Japanese Insurance Market

Premium income and sales of our insurance products are affected by trends in the Japanese life insurance market. The Japanese life insurance market, the second largest in the world by premium volume, is mature and highly consolidated, characterized by high *per capita* life insurance premiums and a household penetration rate of greater than 90%. However, total policy amount in force and penetration rates for the Japanese market have been decreasing, due in part to an aging population and shifts in demand reflecting changes in consumer lifestyles and preferences, including later marriages and low birthrates. For example, the total amount of individual life insurance policies in force of Japanese households decreased from ¥902.9 trillion as of March 31, 2010 to ¥857.4 trillion as of March 31, 2015, according to the Life Insurance Association. This decline in the amount of policies in force will likely continue, although we have been and expect to continue to be able to partially offset this decline by focusing our efforts to develop our business in growth fields, such as those in the areas of medical and nursing care insurance, while proactively expanding our overseas insurance business.

At the same time, however, there has been strong competition for market share among Japan's major life insurance companies as well as newer entrants. We aim to achieve competitive differentiation from our peers by further developing our domestic life insurance business, including through enriching our lineup of products and services and providing engaging, face-to-face after-sales services, and by actively promoting and expanding our overseas insurance business, as evidenced by our proposed acquisition of StanCorp, to secure greater opportunities for future profit in the global market.

The continued growth of new product areas also affects our results of operations; for example, we have recently seen:

- increasing demand for "living benefits and medical coverage," sometimes referred to as third-sector products, such as medical and nursing care insurance products, as well as optional services such as second opinions and illness prevention services, prompted in part by growing concern with the soundness of the Japanese social security system; and
- growing demand for savings-type products to provide post-retirement income, which we believe may be supported by a growing number of investors who seek to supplement their social welfare income. The end balance of individual annuity policies in force sold in Japan increased from ¥94.1 trillion as of March 31, 2010 to ¥104.1 trillion as of March 31, 2015, according to the Life Insurance Association.

Operating Environment

Our business, financial condition and results of operations are materially affected by financial market and economic conditions in Japan and elsewhere. After the global financial crisis that started in 2008 and continued into 2012, a persistently strong yen against the dollar, euro and other currencies negatively affected Japanese corporate earnings and exports, hampering economic growth. However, in late 2012, the Abe government began implementing economic stimulus measures, such as announcing increases in infrastructure spending and entering into an accord with the BOJ to set a 2% inflation target, and in April 2013, the BOJ introduced a plan for quantitative and qualitative monetary easing. Further, in June 2013, the Abe government announced a number of structural reforms to complement the economic stimulus measures. These reforms and stimulus measures have generally produced positive results, but the long-term effect on Japan's economy, trade balance, interest rates and fiscal position remains uncertain. Other changes in fiscal and monetary policies and laws and regulations, such as the increase in the Japanese consumption tax from 5% to 8% in April 2014 and the scheduled increase to 10% in April 2017, have had and may have a further negative effect on the recovery of the Japanese economy.

Recent economic indicators in Japan include the following:

- During the first six months of 2015, the Nikkei 225 Index steadily increased, rising from 16,592.57 as of January 16, 2015 to a 15-year high of 20,952.71 as of June 24, 2015, in response to, among other factors, economic stimulus measures implemented by the Abe government and the BOJ, and the related depreciation of the yen against both the dollar and the euro. However, as of October 5, 2015, the Nikkei 225 Index had again decreased to 18,005.49, reflecting growing uncertainty and volatility in the Japanese and global economies.
- The BOJ has maintained near-zero interest rates, and the yield on 10-year Japanese Government Bonds ("JGBs") remained low at 0.64% as of March 31, 2014 and 0.40% as of March 31, 2015. On September 30, 2015, it was 0.35%.
- In response to, among other things, the BOJ's monetary easing, the yen generally depreciated against both the dollar and the euro during 2014, as compared to their respective 2013 levels. In December 2014, the yen reached the ¥121 level against the dollar and the ¥149 level against the euro, as compared to ¥88 level against the dollar and ¥115 level against the euro in January 2013. During 2015, the yen reached the ¥125 level against the dollar in early June, although it has appreciated to the ¥120 level since then. The yen has generally appreciated against the euro as compared to its 2014 level. As of September 30, 2015, the yen was ¥119.81 against the dollar and ¥134.69 against the euro.
- The seasonally adjusted unemployment rate in Japan was 4.1%, 3.6%, 3.4%, 3.4% and 3.3% as of March 31, 2013, 2014 and 2015 and June 30 and July 31, 2015, respectively, according to the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan.
- The total financial assets of Japanese households increased from ¥1,580 trillion as of March 31, 2013 to ¥1,700 trillion as of March 31, 2015, and to ¥1,717 trillion as of June 30, 2015 according to data released by the BOJ.
- Japan's real GDP grew year on year by 1.0% in the year ended March 31, 2013 and by 2.1% in the year ended March 31, 2014, but decreased by 0.9% in the year ended March 31, 2015, each according to the

Cabinet Office. During the three months ended June 30, 2015, Japan's real GDP decreased at an annualized rate of 1.2%, primarily reflecting slowdowns in personal consumption and exports.

- Real estate prices (*koji-kakaku*) continued to decrease during the years ended March 31, 2013 and 2014, although in the year ended March 31, 2015 residential property prices decreased at a lessened pace and commercial property prices have been steady, according to the Ministry of Land, Infrastructure, Transport and Tourism of Japan. The rate of decrease has been declining since the year ended March 31, 2012 due to low interest rates for loans, among other reasons. Average real estate prices in Tokyo, Osaka and Nagoya declined in the year ended March 31, 2013, and although they increased in each of the years ended March 31, 2014 and 2015, remain subject to uncertainty.

In addition, Japan's export-driven economy is affected by global economic conditions, which remain uncertain. In European countries, economic conditions have continued to be fragile as a result of the ongoing sovereign debt crisis among certain countries in the Eurozone, particularly Greece. In the United States, there is uncertainty over the timing and effect of an interest rate increase by the Federal Reserve on the economic recovery. There is also uncertainty about the expected level of growth of a number of emerging countries, and in particular with the ability of China to successfully rebalance its economy towards more consumption and less investment.

Surrenders and New Policies

Income from insurance consists almost entirely of premium income from outstanding insurance policies and annuities. Income from insurance is mainly a function of the amount of policies in force, which in turn is mainly a function of the amount of surrenders and new policies. Over the past several years, surrenders of our policies have been decreasing. As of March 31, 2011, 2012, 2013, 2014 and 2015, our surrender and lapse ratio with respect to individual life insurance and individual annuities in the aggregate as of the beginning of each year on a non-consolidated basis was 5.43%, 4.96%, 4.79%, 4.57% and 4.41%, respectively. Annualized premiums from individual insurance and individual annuities products have increased steadily for the previous three years, amounting to ¥2,066.1 billion during the year ended March 31, 2013, ¥2,125.2 billion during the year ended March 31, 2014 and ¥2,141.3 billion during the year ended March 31, 2015.

Factors that affect surrenders and new policies include the following:

- *Amount of new policies sold by sales representatives*. Our core business continues to be the sale of individual policies through our sales representatives. Of our new individual insurance and annuity policies written during the year ended March 31, 2015, approximately 56.4% in terms of annualized net premiums were attributable to sales by sales representatives. Our ability to maintain or increase our revenues from insurance depends in large part on the size, training and experience of our sales representative force and our sales representatives' ability to establish and maintain customer relationships. We have taken steps to improve the training and management of our sales representatives, to increase their numbers and to deepen their relationships with our customers.

- *Amount of new policies that bancassurance agents are able to sell*. We also rely on our bancassurance agents for new sales of life insurance products. The broad customer base held by Japanese financial institutions is a significant source for us to expand our customer base. We have distribution agreements with more than 100 financial institutions throughout Japan. Because our relationships with our financial institution distributors are non-exclusive, the level of sales of our products through these channels depends on the competitiveness of our products relative to those of our competitors, including as to pricing, benefits and other features. Of our new individual insurance and annuity policies written during the year ended March 31, 2015, approximately 41.8% (in terms of annualized net premiums) were attributable to the bancassurance channel. Sales and surrenders of single premium individual whole life insurance policies, which provide guaranteed interest rates and are sold primarily through our bancassurance channel, are particularly affected by interest rate risk. Accordingly, we have purposefully limited the amount of sales of single premium individual whole life insurance policies per financial institution in recent years to mitigate the risk of large numbers of surrenders in the event of an interest rate increase.

- *After-sales service*. Surrender and lapse ratios with respect to individual life insurance and individual annuities have been improving consecutively for the past nine years as a result of our attempt to minimize policy surrenders by providing dedicated after-sales service, including approaching customers to confirm the content of their policies and regularly reviewing customer contracts with them. We propose coverage revisions to accommodate changes in customer's life needs while also responding to changes to the Japanese social security system and introduction of new products.

- *Shift in customer demand*. There has been a shift in customer demand from mortality insurance to living benefits and medical coverage, under which the insured amounts are relatively small by comparison. We strive to further improve our customer services to minimize decreases in policies associated with such shift in customer demand, as well as decreases associated with the aging of our customer base.
- *Household income levels*. Household income levels and the relative burden of insurance premium payments on policyholders affect our premium income. According to the Economic and Social Research Institution of Japan, national disposable income in Japan increased from ¥392.8 trillion for the year ended March 31, 2009 to ¥399.5 trillion for the year ended March 31, 2014. Increases and decreases in household income tend to cause both a corresponding decrease or increase in policy surrenders and an increase or decrease in new policy originations, particularly for individual insurance and individual annuity products, and thereby affect our premium income.
- *Consumer confidence in the life insurance industry*. Changes in consumer confidence in the life insurance industry affect our premium income. Declining consumer confidence tends to cause both an increase in policy surrenders and a decrease in new policy originations, particularly for individual insurance and individual annuity products, thereby adversely affecting our premium income. The effect of any such decrease may be partially offset as a result of a migration of customers to us from financially weaker insurance companies. In the aggregate, however, we believe that declines in consumer confidence in the life insurance industry adversely affect our premium income.
- *Market equity prices and interest rate levels*. Market equity prices, interest rates and other determinants of the relative attractiveness of our products as compared to other financial products affect our premium income. For example, in periods of increasing interest rates, surrenders of policies, particularly single premium individual whole life insurance and individual annuities, tend to increase as policyholders seek investments with higher perceived or actual returns, thereby adversely affecting our premium income.
- *Competition*. Industry and price competition, including efficiency and productivity of sales representatives and sales agencies, affect premium income. Increasing competition tends to lead to lower insurance premiums.
- *Demographic trends*. Demographic trends in Japan also affect demand for our life insurance products. In particular, the overall aging of the population and a declining birthrate tend to reduce the demand for traditional mortality insurance products. According to the National Institute of Population and Social Security Research, the population in Japan is estimated to decrease by approximately 16%, compared to the population in 2010, to 107.27 million in total by 2040, among which 36.1% will be over the age of 65, an approximately 17% increase from 2010. The population of all prefectures is expected to be lower compared to 2010. The population over the age of 65 is expected to grow rapidly even in metropolitan areas, in which the elderly population has been relatively low. Our core customer base will be impacted by this demographic shift, and to maintain the productivity of our business, we believe it is important to cultivate our young customer base and strengthen the productivity of our business with our senior customer base.

  We believe that an aging population will lead to an increase in demand for annuity products and result in an increase in overall medical and nursing expenses, only a portion of which is currently covered by corporate benefit plans or Japan's national health care insurance system. We believe that the increasing proportion of uncovered medical and nursing expenses will lead to continuing growth in the market for third-sector insurance products.
- *Confidence in the Japanese social security system*. Going forward, we believe that diminishing confidence in the Japanese social security system and its ability to provide adequate financial, medical, nursing and other support may positively affect our revenues from insurance in future periods as consumers begin to take personal responsibility for their own financial futures.

Our Product Mix

Because the timing and amount of premiums vary from product to product, changes in the mix of outstanding policies may cause fluctuations in premium income. In addition, we charge different premiums depending on the insurance product. Changes in the mix of higher and lower premium products outstanding may cause fluctuations in premium income. For example, an increase in the percentage of lower-premium products may reduce our premium income, even if the total policy amount in force remains constant.

Performance of Our Investment Portfolio

We hold large investments primarily in domestic bonds and loans, as well as in domestic stocks, foreign bonds and stocks and real estate, from which we derive investment income. Our investment portfolio performance is affected by the amount and composition of assets we manage, which is influenced by a variety of factors, including:

- fluctuations in market prices for domestic and foreign bonds, stock and real estate;
- levels of dividend income we earn, which are affected by general market and business conditions;
- the value of our loan portfolio, which is affected by borrower ratings or otherwise;
- fluctuations in market interest rates and currency exchange rates; and
- changes in our internal investment strategy, which may affect the mix of assets in our portfolio and cause fluctuations in the level of sales and redemptions of securities.

Interest, dividends and other income from our investment portfolio has steadily increased in each of the years ended March 31, 2013, 2014 and 2015, despite declining average yields on interest-earning assets resulting from a protracted period of low interest rate levels in Japan, primarily due to an increase in new policies with lower assumed interest rates as well as to factors such as an increase in amounts invested in foreign bonds, overall improvement in business performance and resulting increase in dividend payouts and a weaker yen increasing the value of income on foreign bonds and stocks.

Mortality Rates, Morbidity Rates and Other Factors Affecting Benefit Expenses

Our largest expense has historically been benefits and other payments. Factors that affect the amount of benefits and other payments primarily include:

- the mortality and morbidity rates of insured individuals;
- the rates at which policyholders surrender policies prior to maturity; and
- the maturity schedules of our policies in force.

Although the continued aging and corresponding structural changes of Japan's population may affect mortality and morbidity rates, we do not expect the rise in mortality and morbidity rates to have a material adverse effect on our earnings because these factors have already been taken into account in our insurance premiums, and we believe that this trend will also result in an increased demand for our medical and nursing care policies. In addition, partially in order to manage the risk associated with an unexpected rise in mortality and morbidity rates, we have implemented a risk management structure. See "—Risk Management—Insurance Underwriting Risk Management."

Benefits and other payments may also be affected by changes in the policy amount in force of group annuities. When we make group annuities payments, the entire amount paid out affects both benefits and other payments and provisions for policy reserves. Because the amounts of group annuities paid tend to be relatively large, payments of group annuities may have a material effect on our aggregate benefits and other payments.

Mortality and morbidity rates also affect our provision for policy reserves. See "—Provisions for Policy Reserves."

Provisions for Policy Reserves

Policy reserves are established for benefits and other payments related to our outstanding policies that are expected to be paid in the future, enabling us to record related profits effectively on an accrual basis. Under the Insurance Business Act, each year we are required to set aside a "standard policy reserve" to fund future benefit payments.

We calculate the amount of the standard policy reserve using the net level premium method. Under this method, we set aside policy reserves on an assumption that the ratio of net premium to total premium paid remains constant over the payment term of the policy. The net premium is the portion of premiums covering insurance risk, which we determine based on various assumptions, including assumptions affected by external factors such as mortality and morbidity rates and yield on investments established by third parties. In particular:

- Mortality rates used in calculating the standard policy reserve are based on rates established by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. Expected mortality rates were revised downward in 2007.
- Assumed yields on investment used in calculating the standard policy reserve are fixed, based on the standard prospective yield established by the FSA, regardless of the actual investment gains received. The standard prospective yield for all insurance products sold starting in April 2013 was revised downward from 1.5% to 1.0% based on the historical 3-year and 10-year-average yields of newly issued 10-year JGBs, resulting in a decrease in the assumed yields on investment used in calculating the standard policy reserve and a corresponding increase in required policy reserves for new policies. In June 2014, the FSA revised the respective methods of calculating the standard prospective yields for, among others, single premium individual whole life insurance, single premium endowment insurance and single premium individual annuities. The method of calculating the standard prospective yield for other insurance products remained unchanged. Under the new methods, standard prospective yield is calculated based on the historical 3-month and 1-year-average yields of newly issued 10-year and 20-year JGBs. The standard prospective yields for single premium endowment insurance and single premium individual annuities were revised downward from 1.0% to 0.5% for products sold starting in April 2015, and the standard prospective yield for single premium individual whole life insurance was revised downward from 1.0% to 0.75% for products sold starting in July 2015. As a result, our required policy reserves for single premium individual whole life insurance are expected to increase correspondingly.

In general, the amount of provision for policy reserves varies in direct proportion to policy amount in force. However, because a portion of the provision for policy reserves represents the value of assets in our separate accounts, fluctuations in such value may cause the amount of provisions for policy reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

In addition, as described further under "—Policy Reserves," we use the net level premium method of calculation, which does not permit policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves and other reserves required. As a result, a relative increase in new policies in a given year tends to put downward pressure on profitability.

The provisions for policy reserves are also affected by changes in policy amount in force of group annuities. When group annuity plans are transferred to us from other insurance companies, the entire amount transferred is recorded in premiums, and a corresponding similar amount is added to provision for policy reserves. Because the transferred or paid amounts of group annuities tend to be relatively large, movements in the policy amount in force of group annuities may have a material effect on the aggregate provisions for policy reserves.

Our Decisions on Policyholder Dividends

As our participating and semi-participating life insurance products represent core products, our decisions on policyholder dividends for such products may have a material effect on our financial condition and results of operations. As a general policy, each year we pay dividends to our policyholders out of the year's surplus in an amount that we believe is appropriate to balance our goals of returning profits to policyholders and providing for our future financial health. In the past, the Insurance Business Act required mutual life insurance companies to make provisions for policyholders' dividend reserves of at least 80% of the year's unappropriated surplus (adjusted for certain amounts such as interest payments on foundation funds), which would ultimately be paid to policyholders as dividends. In 2002, the Ordinance for Enforcement of Insurance Business Act was amended and the minimum required policyholder dividend payouts for mutual life insurance companies was reduced from 80% to 20%. However, our provisions for policyholders' dividend reserves in each year since the amendments have generally been maintained at around 90% of the year's unappropriated surplus with the foregoing adjustments.

Personnel Costs

Our operating expenses consist mainly of personnel costs, which are composed mainly of salaries, including commissions and remuneration paid to sales representatives, and bonuses. Personnel costs fluctuate in line with headcount, costs per sales representative and costs per employee. Bonuses are affected by a combination of the cost of salaries and our results of operations.

Fixed salaries and quasi-fixed salaries together make up a significant portion of compensation paid to sales representatives. Quasi-fixed salaries are tied to the performance of after-sales services relating to insurance policies obtained by an individual sales representative and take into account the policy amounts of such policies and other factors. The amount of an individual sales representative's quasi-fixed salary falls into one of several specified tiers depending upon these factors. In addition, sales representatives receive a sales commission upon obtaining a new policy and periodic commissions in smaller amounts based on the amount outstanding on the policies obtained by such representative. Commissions paid to an individual sales representative increase incrementally as such representative meets defined sales targets for numbers and amounts of new policies. An increase in the number of our sales representatives generally correlates to an increase in the proportion of personnel costs as a percentage of operating expenses. We had 30,101 sales representatives as of March 31, 2015, as compared to 28,731 sales representatives as of March 31, 2014, and we expect to maintain a sales force of approximately 30,000 representatives going forward.

Summary of Key Line Items

Ordinary Income

Our ordinary income includes insurance premiums and other, investment income and other ordinary income.

Insurance premiums and other

Insurance premiums and other, which forms the core of our ordinary income, consists almost entirely of premium income from outstanding insurance policies and annuities. During the year ended March 31, 2015 and the three months ended June 30, 2015, revenues from insurance premiums and other accounted for 74.6% and 80.5% of our ordinary income, respectively. Under Japanese GAAP, revenues from insurance premiums and other are recorded on a cash basis and then adjusted effectively to an accrual basis through provisions and reversals of policy reserves (as discussed under "—Policy Reserves").

Investment income

We hold large investments primarily in domestic bonds and loans, as well as in domestic stocks, foreign securities and real estate, from which we derive investment income. During the year ended March 31, 2015 and the three months ended June 30, 2015, investment income accounted for 22.4% and 17.0% of our ordinary income, respectively.

Interest, dividends and other income and gains on sales of securities have generally been the largest components of our total investment income. Interest, dividends and other income accounted for 67.8% and 79.3% of our total investment income during the year ended March 31, 2015 and the three months ended June 30, 2015, respectively. Gains on sales of securities accounted for 18.1% and 0.1% of our total investment income during the year ended March 31, 2015 and the three months ended June 30, 2015, respectively.

We present investment income and investment expenses separately in our statements of income. Certain categories of investment income and investment expenses are shown on a net basis as investment income or investment expenses, as the case may be, for the applicable year. Such categories include investment gains or losses on separate accounts, derivative financial instruments and foreign exchange.

Investment gains and losses on separate accounts may materially affect investment income and investment expenses, as all separate account securities are marked to market each period and vary as a function of stock market values as well as by the amounts of investment in the separate accounts. Investment gains and losses on separate accounts do not, however, materially affect our net surplus from operations, as such gains and losses are almost wholly offset by corresponding provisions for (or transfers from) policy reserves.

Gains or losses from derivative financial instruments consist primarily of realized and unrealized gains and losses on currency forward contracts. We use currency forward contracts to offset foreign currency exposure primarily with respect to our foreign currency-denominated investments, such as foreign bonds. As of June 30, 2015, most of these currency forward contracts qualified for hedge accounting. For contracts qualifying for hedge accounting, hedging costs are recorded as losses from derivative financial instruments, while gains and losses on market value changes are recorded as deferred unrealized gains and losses on derivatives under hedge accounting, which are excluded from gains or losses on derivative financial instruments. For contracts not qualifying for hedge accounting, the entire amount of realized and unrealized gains and losses is recorded as gains or losses on derivative financial instruments.

Foreign exchange gains or losses consist primarily of gains and losses related to foreign currency-denominated investments, such as foreign currency deposits, and result from exchange rate fluctuations.

Other ordinary income

Other ordinary income primarily includes income from annuity riders, income from deferred benefits, reversal of reserve for outstanding claims and reversal of accrued retirement benefits.

Deferred benefits are benefits and other payments due to policyholders which, at such policyholders' request, are deferred by policyholders, entrusted to us and later paid to policyholders with accrued interest. The amount due to policyholders is recorded as an expense in benefits and other payments, even though such amounts are not actually paid to policyholders in that fiscal period. The amount deferred is recorded as other ordinary income and recognized as an expense in the provision for policy reserves. Withheld insurance payments are held in the policy reserves until paid upon policyholder request or at the end of the deferred term.

Ordinary expenses

Our ordinary expenses include benefits and other payments, provision for policy reserves and other reserves, investment expenses, operating expenses and other ordinary expenses.

Benefits and other payments

Benefits and other payments include claims paid, annuity payments, benefit payments, surrender benefits and other refunds. In the year ended March 31, 2015 and the three months ended June 30, 2015, benefits and other payments accounted for 61.9% and 54.9%, respectively, of our total ordinary expenses. Under Japanese GAAP, benefits and other payments are recorded on a cash basis and then adjusted effectively to an accrual basis through provisions and reversals of policy reserves and reserves for outstanding claims. See "—Critical Accounting Estimates—Policy Reserves."

Provision for policy reserves and other reserves

Provision for policy reserves and other reserves includes provision for reserve for outstanding claims, provision for policy reserves and provision for interest on policyholders' dividend reserves. In the year ended March 31, 2015 and the three months ended June 30, 2015, provision for policy reserves and other reserves accounted for 22.7% and 27.7%, respectively, of our total ordinary expenses. The provision for reserve for outstanding claims is a provision for a reserve used to fund payments that are due but have not yet been paid on outstanding claims as of the end of the fiscal year. Provision for policy reserves is a provision for reserves established for insurance benefits and other payments related to our outstanding policies that are expected to be paid in the future, enabling us to record related profits effectively on an accrual basis. Policy reserves consist of a premium reserve, an unearned premium reserve, a reserve for refund and a contingency reserve. Under the Insurance Business Act, each year we are required to set aside a "standard policy reserve" to fund future claims payments. See "—Factors Affecting Results of Operations—Provisions for Policy Reserves."

At the beginning of each fiscal year, the entire amount of the reserve remaining as of the end of the previous fiscal year is reversed, and the provision for the current fiscal year is transferred to the reserve account. Differences that arise are recorded as provision for, or reversal of, policy reserves. In addition, as discussed above, we recognize the full amount of benefits and other payments on a cash basis, although such payments would generally have already been reserved against in the policy reserves. Any amount of policy reserves in excess of such payments and thereby retained is applied against anticipated future claims, correspondingly reducing the amount of reserves recognized as expenses in the current period.

In general, the amount of provision for policy reserves and other reserves varies in proportion to policy amount in force. However, because a portion of the provision for policy reserves and other reserves represents the value of assets in our separate accounts, fluctuations in such value may cause the amount of provisions for policy reserves and other reserves to increase or decrease disproportionately to or conversely from the policy amount in force.

Provision for interest on policyholders' dividend reserves is a provision for reserves used to fund dividends paid to policyholders on an annual basis. See "—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends."

Investment expenses

Investment expenses consist of interest expenses, losses on sales of securities, losses on valuation of securities, losses on redemption of securities, losses on derivative financial instruments, foreign exchange losses, depreciation of real estate for non-insurance business and other investment expenses. See "—Ordinary Income—Investment income."

Operating expenses

Operating expenses consist mainly of personnel costs. Personnel costs are composed mainly of salaries, including commissions and remuneration paid to sales representatives, and bonuses. See "—Factors Affecting Results of Operations— Personnel Costs."

Operating expenses also include policy acquisition costs. Japanese GAAP requires that such costs be recognized as expense as they are incurred. Policy acquisition costs consist of sales-related expenses and costs related to the underwriting of new policies.

Operating expenses are classified into marketing operations, marketing administration and general and administrative expenses.

- Marketing operations and marketing administration include expenses for underwriting new policies. Marketing operations primarily include expenses related to new policy solicitation and assessment, whereas marketing administration primarily includes expenses related to advertising and the sales force.
- General and administrative expenses include expenses for managing policies with insurance handling systems and for asset management.

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. All of our payments to the LIPPC are charged to operating expenses when paid. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years.

Other ordinary expenses

Other ordinary expenses consist mainly of payments of benefits left to accumulate at interest, certain national and local taxes (including revenue stamp duty, business taxes, fixed property taxes and consumption taxes), depreciation (excluding depreciation of rental real estate and others) and miscellaneous expenses.

Base Profit

Ordinary profit of a life insurance company includes income from investment activities as well as income from the insurance business. Thus, income from the insurance business is not readily ascertainable from the statements of income. For purposes of disclosing income from the core insurance business, life insurance companies in Japan are required under disclosure standards promulgated by the Life Insurance Association to disclose "base profit," also known as "fundamental profit," "core operating profit" or "core business profit."

Pursuant to these disclosure standards, base profit is defined as:

- base revenues: insurance premiums and other and investment income (excluding capital gains), *less*
- base expenses: benefits and other payments, provision for policy reserves (excluding those presented on the statements of income as provision for policy reserves deemed to be temporary gains/losses), investment expenses (excluding capital losses) and operating expenses.

Base profit is calculated without deducting policyholder dividends or hedging costs associated with foreign currency-denominated bonds. See "—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends" and "—Summary of Key Line Items—Ordinary expenses—Investment expenses."

We believe that base profit, viewed in the context of our overall business results as reflected in our financial statements, provides a meaningful metric for understanding our financial performance. The following tables set forth our non-consolidated base profit for the years ended March 31, 2013, 2014 and 2015 and for the three months ended June 30, 2014 and 2015 and reconcile non-consolidated base profit to our non-consolidated ordinary profit by adding back capital gains and losses as well as temporary gains and losses:

	Year ended March 31,		
	2013	2014	2015
	(Billions of yen)		
Base revenues:			
Insurance premiums and other	¥3,659.3	¥ 3,616.2	¥3,408.4
Investment income (excluding capital gains)	707.8	758.2	842.8
Total base revenues	¥4,539.2	¥4,520.6	¥ 4,372.3
Base expenses:			
Benefits and other payments	¥2,288.8	¥ 2,276.1	¥ 2,596.3
Provision for policy reserves (excluding those deemed to be temporary gains/losses)	1,273.4	1,230.0	717.4
Investment expenses (excluding capital losses)	28.0	22.7	23.9
Operating expenses	353.0	352.0	348.4
Total base expenses	¥4,144.7	¥4,060.2	¥3,866.0
Base profit (a)	¥ 394.5	¥ 460.4	¥ 506.3
Net capital gains (losses) (b)	72.8	133.4	114.3
Temporary gains (losses) (c)	(70.4)	(172.1)	(236.7)
Ordinary profit (a+b+c)	¥ 396.9	¥ 421.6	¥ 383.8

	Three months ended June 30,	
	2014	2015
	(Billions of yen)	
Base profit (a)	¥ 108.2	¥ 115.5
Net capital gains (losses) (b)	88.6	(38.4)
Temporary gains (losses) (c)	(10.5)	(10.6)
Ordinary profit (a+b+c)	¥ 186.3	¥ 66.4

In addition, base profit can also be seen as consisting of the following three components:

- *Expense profit*. The difference between (x) the actual amount of business expenses and (y) the expected business expenses calculated based on the business expense rates estimated at the time insurance premiums are set.
- *Mortality profit*. The difference between (x) the actual amount of insurance claims and benefit payments and (y) the expected amount of insurance claims and benefit payments based on the occurrence rate of insurance events estimated at the time insurance premiums are set.
- *Interest surplus (positive/negative spread)*. The difference between (x) actual investment returns and (y) assumed yields on investment estimated at the time insurance premiums are set. See "—Interest Surplus (positive/negative spread)."

We believe that providing a discussion of base profit through these components is meaningful and helpful to investors in understanding how the difference between actual and expected amounts within such components impact our income from the core insurance business. The following table sets forth a breakdown of our non-consolidated base profit for the years ended March 31, 2013, 2014 and 2015 in terms of expense profit, mortality profit and interest surplus:

	Year ended March 31,		
	2013	2014	2015
	(Billions of yen)		
Expense profit	¥ 53.5	¥ 53.5	¥ 44.8
Mortality profit	298.3	287.5	292.8
Interest surplus	42.5	119.3	168.6
Base profit	¥ 394.5	¥ 460.4	¥ 506.3

Our base profit increased by ¥45.9 billion, or 10.0%, to ¥506.3 billion for the year ended March 31, 2015 from ¥460.4 billion for the year ended March 31, 2014, primarily due to an increase in interest surplus of ¥49.2 billion resulting mainly from an increase in interest, dividends and other income.

Our base profit increased by ¥7.3 billion, or 6.8%, to ¥115.5 billion for the three months ended June 30, 2015 from ¥108.2 billion for the three months ended June 30, 2014, primarily due to an increase in interest, dividends and other income.

Interest Surplus (positive/negative spread)

During extended periods of increasing or decreasing market interest rates, actual yield on our investments may rise above or fall below the assumed interest rates used in pricing premiums of products and in calculation of policy reserves on large portions of our outstanding policies. This differential may result in interest surplus or interest losses. Such losses are sometimes referred to as negative spread. A description of the calculation of negative spread is provided in the definition of “negative spread” in “Glossary of Certain Terms.” Interest surplus or losses are not a Japanese GAAP financial measure and should not be viewed as a measure of our financial performance or liquidity under Japanese GAAP or as an alternative to any Japanese GAAP measure.

As shown in the tables below, the average assumed interest rates related to our outstanding policies have been generally decreasing as a result of newer policies that have lower assumed interest rates, including due to the replacement, through maturity, surrenders and conversions, of older policies that had higher assumed interest rates.

The following table sets forth, on a non-consolidated basis, the assumed interest rates generally used for individual insurance policies and annuities sold by us in the years indicated:

	Year ended March 31,				
	1997-2001	2002-2006	2007-2011	2012-2014	2015
Assumed interest rates of individual insurance/annuities sold in the years indicated	1.00–3.75%	0.55-2.35%	0.55-1.85%	0.45-1.50%	0.35-1.09%

The following table sets forth, on a non-consolidated basis, our average assumed interest rates, average actual yields, and interest surplus and losses for our outstanding policies for the years indicated.

	Year ended March 31,				
	2011	2012	2013	2014	2015
Average assumed interest rates	2.35%	2.25%	2.16%	2.09%	2.03%
Average actual yield	2.35%	2.33%	2.33%	2.54%	2.64%
Interest surplus (losses) (billions)	¥ (1.0)	¥ 19.2	¥ 42.5	¥ 119.3	¥ 168.6

Although we, like other Japanese life insurance companies, have struggled in the past with negative spread stemming from a prolonged low interest rate environment in Japan, we recorded interest surplus for the fourth consecutive year at the closing of accounts for the year ended March 31, 2015. Our ability to record interest surplus in future periods, however, is subject to uncertainties.

We believe the assumed mortality and morbidity rates and administrative expenses, among other factors, used in calculating premiums for our products are estimated conservatively. As a result, they have generally offset shortfalls in investment yield in recent years, and we have been able to generate base profit. If, however, actual investment yields decrease and we are unable to adequately adjust the premiums we charge, our yield differential may become largely negative and we may not generate base profit.

Reserve for Price Fluctuation

See "—Critical Accounting Estimates—Reserve for Price Fluctuation."

Unrealized Gains and Losses

Unrealized gains and losses reflect the difference between the book value and market value of certain investment assets. Unrealized gains and losses on available-for-sale securities and land revaluation differences (which represents unrealized gains on the revaluation of land, net of deferred tax) are reflected in the computation of total solvency margin and solvency margin ratio. We consider our net unrealized gains on these assets to constitute a buffer against various risks, although the amount of such unrealized gains may decrease due to market price fluctuations.

We state our available-for-sale securities with readily obtainable fair market value ("securities and others with market value") at fair market value, and adjust net assets by the amount of any unrealized gains or losses, on such securities. Land revaluation differences are calculated in accordance with the Act on Revaluation of Land (Act No. 34 of 1998, as amended).

The following table sets forth, as of the dates indicated, a breakdown of net unrealized gains or losses on investment assets, other than certain investment assets not readily susceptible to market valuation, on a non-consolidated basis:

	As of March 31,				As of June 30,
	2012	2013	2014	2015	2015
	(Billions of yen)				
Domestic bonds	¥ 742.9	¥ 1,442.8	¥ 1,105.5	¥ 1,673.5	¥ 1,519.6
Domestic stocks	672.4	1,133.3	1,461.7	2,417.2	2,649.6
Foreign securities	77.1	464.6	569.0	1,137.1	1,107.5
Foreign bonds	121.9	427.5	422.4	931.1	893.6
Foreign stocks	(44.7)	37.1	146.6	205.9	213.9
Other securities	4.3	16.9	20.9	34.7	36.4
Monetary claims bought	12.7	17.3	13.0	14.1	12.4
Negotiable deposits	(0.0)	(0.0)	(0.0)	0.0	(0.0)
Total net unrealized gains	¥ 1,509.7	¥ 3,075.1	¥ 3,170.4	¥ 5,276.7	¥ 5,325.7

Notes:

(1) The above table shows information regarding securities and other instruments with market price. Trading securities are not included.

(2) The above table includes investment assets that are considered appropriate to be treated as securities under the FIEA.

The principal changes in net unrealized gains on investment assets reflect the increase in market prices for domestic stocks between the period ends in the years ended March 31, 2012 through 2015.

Recent Changes in Accounting Standards

On May 17, 2012, the Accounting Standard Board of Japan (the "ASBJ") issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and other related practical guidance, being followed by partial amendments from time to time through 2009. The major changes are as follows:

(a) Under the previous accounting standard, actuarial gains and losses and past service costs that have yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between projected benefit obligations and plan assets ("deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset. Under the revised accounting standard, actuarial gains and losses and past service costs that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus is recognized as a liability (net defined benefit liability) or asset (net defined benefit asset).

(b) The revised accounting standard does not change how actuarial gains and losses and past service costs are recognized in profit or loss. Those amounts are recognized in profit or loss over a certain period not longer than the expected average remaining service years of the employees. Actuarial gains and losses and past service costs that arose in the current period and have yet to be recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments.

(c) Under the previous accounting standard, the projected benefit obligations are attributed to periods on a straight-line basis. The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

In non-consolidated financial statements, the new requirements as described in (a) and (b) above would not be applied for the time being, with the previous accounting standard remaining applicable.

We adopted the revised accounting standard and guidance for retirement benefits for (a) and (b) above from the year ended March 31, 2014. As a result, net defined benefit assets of ¥2,461 million and net defined benefit liabilities of ¥814 million were recognized as of March 31, 2014. In addition, deferred tax assets decreased by ¥8 million, deferred tax liabilities decreased by ¥29,102 million and total accumulated other comprehensive income decreased by ¥66,062 million, each as of March 31, 2014.

We adopted (c) above from the year ended March 31, 2015, and changed the method of attributing expected benefits to periods from a straight-line basis to a benefit formula basis. The effect of the change in the method of calculation of retirement benefit obligations and service costs was included in surplus in the consolidated balance sheet at the beginning of the year ended March 31, 2015. As a result, surplus at the beginning of the period increased by ¥2,752 million and ordinary profit and surplus before income taxes and minority interests decreased by ¥806 million for the year ended March 31, 2015.

The Business Combinations Accounting Standard, the Consolidation Accounting Standard and the Business Divestitures Accounting Standard have been applied from the beginning of the three month period ended June 30, 2015. Accordingly, the accounting method has been changed such that the difference associated with changes in equity in our controlled subsidiaries is recorded as surplus, and acquisition-related costs are recorded as expenses for the period in which the costs are incurred. For business combinations implemented on or after April 1, 2015, the accounting method has been changed to reflect the adjustments to the allocated amount of acquisition costs on the finalization of provisional accounting treatment in the consolidated financial statements for the quarter containing the date of the business combinations. In addition, the presentation method of net surplus was changed and "minority interests" was renamed as "non-controlling interests." With respect to application of the Accounting Standards regarding business combinations, the transitional treatments prescribed in 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 have been applied prospectively on and after April 1, 2015. The change has no effect on our ordinary income, surplus before income taxes and minority interests, or surplus.

In addition, as a result of our adoption of the Consolidation Accounting Standard and other related guidance effective for the year ended March 31, 2014, two subsidiaries of Meiji Yasuda Realty USA Incorporated have been consolidated in our financial statements. This change had no effect on our surplus as of the beginning of the year ended March 31, 2014.

Critical Accounting Estimates

Our audited financial statements included elsewhere in this offering circular are prepared in accordance with Japanese GAAP. Many of the accounting policies require management to make difficult, complex or subjective judgments regarding the valuation of assets and liabilities. The accounting policies are fundamental to understanding our operating and financial review and prospects. See the notes to our audited financial statements as of and for the years ended March 31, 2013, 2014 and 2015 included elsewhere in this offering circular, for a discussion of significant accounting policies used in the preparation of our financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the policies may differ significantly from management's current judgments. Critical accounting estimates involve significant judgment. The determination of these critical accounting estimates is fundamental to our financial condition and results of operations and requires management to make complex judgments based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We believe that the following items represent our critical accounting estimates.

Losses on valuation of securities

We recognize impairments in the value of our investments in securities other than trading securities and stocks issued by our subsidiaries or affiliates based upon the degree to which the fair market value of such securities declines and upon certain fluctuations in foreign exchange rates. During the year ended March 31, 2015, we recognized ¥0.3 billion in losses on valuation of securities.

The decision as to which securities are subject to loss recognition involves significant management judgment. For example, under the accounting standards we have adopted, impairment losses are recognized for domestic stocks whose market value has fallen significantly from the acquisition cost as measured by the average market value in the month preceding the relevant balance sheet date. In certain cases, such as where the market value of the stock falls significantly during the month preceding the relevant balance sheet date, impairment losses are recognized based on the market value as of the balance sheet date.

The criteria by which the market value of a domestic security is judged to have fallen significantly are as follows:

- a security for which the ratio of the average market value in the month preceding the final day of the fiscal year to the acquisition cost is 50% or less; and
- a security for which the ratio of the average market value in the month preceding the final day of the fiscal year to the acquisition cost is greater than 50% and less than or equal to 70% and for which the fair value for the past two years, the condition of the issuing company and other aspects of the security meet certain defined requirements.

Our judgment of the possibility and magnitude of a future recovery in the fair value of a security may inherently rely on our subjective views concerning the creditworthiness of the issuer of the securities, market uncertainties and various other factors. Different judgments could lead to different conclusions regarding the need to recognize impairments in value.

Policy Reserves

Policy reserves are reserves set forth in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology:

- Reserves for policies concluded in or after April 1996, other than those in which factors used as a basis for computing policy reserves and insurance premiums are alterable and those for variable insurance, are computed by the net level premium method based on the assumption rates locked in at the sales and renewal prescribed by the Insurance Business Act and the statement of calculation procedures.
- Reserves for other policies are determined by the net level premium method using the assumption rates locked in at the sales and renewal prescribed by the statement of calculation procedures.

Contingency reserve

Within our policy reserves required under the Insurance Business Act, we maintain a contingency reserve to cover losses resulting from unexpectedly high claims or unexpectedly low actual yield on investments due to unforeseen catastrophes or poor market performance. This contingency reserve may be used only to cover such losses. The Insurance Business Act establishes the minimum provision for each fiscal year and the maximum amount of reserve with parameters pursuant to a formula based on insurance risk and other factors within which an insurance company may make provisions for, or cause the reversal of, the contingency reserve. When the mortality rate margin or investment yield margin becomes negative, the Insurance Business Act allows the use of contingency reserves for the negative portion. Pursuant to FSA regulations, a benefit amount equal to a "minimum guarantee" is required to be paid upon death or the commencement of the annuity for variable insurance and variable annuity policies, respectively, and provisions for the contingency reserve are required in respect of the related minimum guarantee risk.

We reserved ¥525.5 billion, ¥660.4 billion and ¥667.3 billion in the years ended March 31, 2013, 2014 and 2015, respectively. Our contingency reserve as of June 30, 2015 totaled ¥669.1 billion. We expect to continue to make appropriate provisions to the reserves.

Reserve for Price Fluctuation

Pursuant to provisions of the Insurance Business Act, we maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stocks, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets. The provision for reserve for price fluctuation is charged to income as an extraordinary loss. The Insurance Business Act establishes a minimum provision and a maximum amount of reserve for each fiscal year with parameters derived using a formula based on investment risk and other factors within which an insurance company may make provision for, or cause reversal of, reserve for price fluctuation, which amounts will be recorded on the statements of income as either an extraordinary loss or gain, respectively. We are permitted under the Insurance Business Act to use the reserve for price fluctuation up to the amount of any net capital loss.

We reserved ¥364.2 billion, ¥481.2 billion and ¥492.4 billion in the years ended March 31, 2013, 2014 and 2015, respectively. Our reserve for price fluctuation as of June 30, 2015 totaled ¥496.7 billion. We expect to continue to make appropriate provisions to the reserves.

Deferred Tax Assets and Deferred Tax Liabilities

We record deferred tax assets and deferred tax liabilities on a net basis using the asset and liability approach to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. In establishing the appropriate amount of deferred tax assets, we evaluate available evidence, both positive and negative, concerning our future taxable income and other possible sources for realization of the deferred tax assets, and the statutory tax rate for the calculation of deferred tax assets and deferred tax liabilities. Our judgment of the likelihood of realization of deferred tax assets may inherently rely on our subjective views concerning uncertainties with respect to future taxable income and other factors. As a result, the amount of actual taxable income may be different from our current estimates, which would result in a larger or smaller amount of deferred tax assets or deferred tax liabilities than have been recognized.

Allowance for possible loan losses

We have established an allowance for possible loan losses in accordance with our internal standards for risk assessment of assets. Allowance for possible loan losses is recognized as a reduction of the carrying amount of loans. With respect to loans to borrowers who are subject to bankruptcy, reorganization or rehabilitation or other similar proceedings ("bankrupt borrowers") and borrowers who have financially failed but are not yet subject to bankruptcy, reorganization or rehabilitation or other similar proceedings ("substantially bankrupt borrowers"), we provide for a specific allowance for the loan balance less estimated amounts collectible from collateral, guarantees or other means. For loans to borrowers with a high possibility of bankruptcy, we determine and provide for the necessary specific allowance amount based on an overall assessment of such borrowers' ability to pay after subtracting from the loan balance the amount collectible from collateral, guarantees or other means. With respect to loans in other classifications, we provide for a general allowance by applying a historical loan-loss ratio determined over a fixed period. Each loan is subject to assessment in accordance with our internal standards for risk assessment of assets and guidelines issued by the FSA.

Allowance for possible loan losses represent management's estimate of probable loan losses inherent in our portfolio. This evaluation process is subject to numerous management estimates and judgments.

The following factors are considered in categorizing debtors:

- the characteristics of the debtor's industry;
- the actual state of the debtor's finances;
- the conditions to borrowing of the debtor and the state of repayments;
- the prospects of continuation of the debtor's business and its profitability;
- the ability of the debtor to repay, estimated based on its cash flows;
- the outlook for implementation of management improvement plans and other remedial measures; and
- expectations for support by other financial institutions and the debtor's parent company, if any.

Results of Operations

The following table sets forth certain information relating to our results of operations for the years ended March 31, 2013, 2014 and 2015 and the three months ended June 30, 2014 and 2015:

	Year ended March 31,			Three months ended June 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
Ordinary income:					
Insurance premiums and other	¥3,679.8	¥3,638.2	¥3,431.4	¥ 949.0	¥ 978.7
Investment income	864.5	981.6	1,030.4	295.2	206.9
Other ordinary income	184.3	161.4	137.9	39.4	30.5
Total ordinary income	¥4,728.7	¥4,781.4	¥4,599.8	¥1,283.7	¥1,216.2
Ordinary expenses:					
Benefits and other payments	¥2,300.6	¥2,287.4	¥2,607.5	¥ 704.9	¥ 632.9
Provision for policy reserves and other reserves	1,343.2	1,403.4	955.7	240.6	319.1
Investment expenses	108.4	111.8	97.9	21.9	49.6
Operating expenses	364.9	364.7	361.5	85.7	91.8
Other ordinary expenses	211.1	189.1	190.5	47.1	59.7
Total ordinary expenses	¥4,328.3	¥4,356.5	¥ 4,213.3	¥1,100.5	¥1,153.4
Ordinary profit	¥ 400.3	¥ 424.8	¥ 386.4	¥ 183.1	¥ 62.7
Extraordinary gains	9.8	1.4	5.9	0.0	0.0
Extraordinary losses	123.3	130.2	28.1	51.3	5.3
Surplus before income taxes and minority interests(1)	¥ 286.9	¥ 296.0	¥ 364.3	¥ 131.7	¥ 57.4
Income taxes:					
Current	¥ 85.7	¥ 123.9	¥ 119.7	¥ 17.1	¥ 6.4
Deferred	(35.5)	(69.4)	(21.1)	0.1	(0.0)
Surplus before minority interests(1)	¥ 236.7	¥ 241.5	¥ 265.7	¥ 114.5	¥ 51.0
Minority interests(1)	0.0	0.8	0.3	(0.0)	0.0
Net surplus(1)	¥ 236.7	¥ 240.6	¥ 265.4	¥ 114.5	¥ 51.0

Note:

(1) For fiscal periods beginning from the three months ended June 30, 2015, "surplus before income taxes and minority interests" has been renamed as "surplus before income taxes and non-controlling interests," "surplus before minority interests" has been renamed as "net surplus," "minority interests" has been renamed as "net surplus attributable to non-controlling interests" and "net surplus" has been renamed as "net surplus attributable to the parent company" in accordance with recent changes in accounting standards as discussed in "—Recent Changes in Accounting Standards." However, for purposes of this table, we have used the line item names set forth in the audited financial statements for the fiscal years ended March 31, 2013, 2014 and 2015 contained in this offering circular.

The following table presents our annualized net premiums from individual insurance and individual annuities, including medical coverage, living benefits, etc., for both policies in force and new policies for the periods indicated, on a non-consolidated basis:

	Year ended March 31,			Three months ended June 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
Policies in force(1):					
Individual insurance	¥1,408.2	¥1,443.0	¥1,477.2	¥1,449.5	¥1,491.9
Individual annuities	657.9	682.2	664.1	678.4	665.5
Total	¥2,066.1	¥ 2,125.2	¥2,141.3	¥2,128.0	¥2,157.4
Medical coverage, living benefits, etc.(2)	¥ 338.4	¥ 342.9	¥ 353.7	¥ 343.9	¥ 355.9

	Year ended March 31,			Three months ended June 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
New policies[(1)(3)]:					
Individual insurance	¥129.2	¥134.2	¥131.3	¥32.4	¥40.3
Individual annuities	65.7	44.5	37.8	10.5	8.6
Total	¥194.9	¥178.8	¥169.2	¥43.0	¥49.0
Medical coverage, living benefits, etc.[(2)]	22.8	25.8	32.6	7.3	8.6

Notes:

(1) Annualized net premium includes totals for individual insurance and individual annuities. Annualized net premium is calculated by multiplying the underlying premium installment amounts by a factor determined according to the relevant payment method to arrive at a single annualized amount. For single premium policies, annualized net premium is calculated by dividing the total premium by the insured period.

(2) The amount of medical coverage, living benefits, etc. represents annualized net premium relating to medical benefits (hospitalization and surgical benefits), living benefits (specified illness and nursing care benefits) and waiver of premium benefits (excluding disability benefits but including specified illness and nursing care benefits).

(3) Annualized net premium for new policies includes net increases due to conversions.

The following table sets forth a breakdown of our insurance premiums by product line for the periods indicated, on a non-consolidated basis:

	Year ended March 31,		
	2013	2014	2015
	(Billions of yen)		
Individual insurance	¥ 2,079.1	¥ 1,998.2	¥ 1,863.3
Individual annuities	455.2	390.9	354.0
Group insurance	306.1	309.3	309.5
Group annuities	773.4	871.0	837.7
Total	¥ 3,658.5	¥ 3,615.5	¥ 3,407.9

Numbers and Policy Amounts for Our Main Product Lines

The following tables set forth changes in the number and policy amounts in force of our main product lines for the years ended March 31, 2013, 2014 and 2015 on a non-consolidated basis. See also “Business—Products and Services.”

Individual insurance

Individual insurance is our main business area. Our main product in this area is “Best Style,” a customizable comprehensive product we released in June 2014 that can be tailored to meet the changing needs of our customers throughout various life stages. We believe that the true value of life insurance is dependent on proactive and ongoing after-sales services that involve face-to-face consultation with customers. “Best Style” allows customers to combine 21 types of coverage in four different categories into personally tailored insurance portfolios and provides flexibility to subsequently revise coverage annually through face-to-face follow-up consultation to appropriately revise policy details according to changes in their needs and stages of life. We also began offering a new product, “Medical Style F,” in June 2015, which is a third-sector product in the field of medical and nursing care insurance. “Medical Style F” provides certain coverage options available through “Best Style” and also allows for consumers to review and modify their coverage once a year to meet changing life needs, including benefits for post-discharge medical treatment.

In line with general market trends, new business in individual insurance both in terms of number of policies and policy amounts decreased year on year during the year ended March 31, 2015 due to our shift in focus from sales of mortality insurance to third-sector insurance products such as living benefits and medical coverage. Total outstanding policy amounts in force for individual insurance have also continued to decrease in line with these trends. See "Business—Products and Services—Individual Insurance."

	Year ended March 31,					
	2013		2014		2015	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
	(Thousands of policies and billions of yen)					
At the beginning of the period	8,781.1	¥ 88,851.2	8,765.4	¥ 83,389.5	8,800.0	¥ 78,971.9
Increase due to:						
New policies	640.0	3,605.8	642.6	3,509.6	582.4	3,219.1
Renewals	1,311.6	2,721.3	1,307.5	2,521.2	1,325.6	2,454.4
Reinstatements	18.3	263.3	19.9	251.8	20.7	238.7
Increase of insurance amount	–	0.0	–	0.0	–	0.0
Conversion	286.8	4,867.4	258.9	4,201.7	426.2	7,265.7
Decrease due to:						
Death	46.5	299.9	48.3	306.3	50.1	309.9
Maturity	1,551.9	4,397.6	1,506.7	3,922.2	1,498.3	3,724.3
Decrease of insurance amount	–	944.9	–	904.1	–	773.8
Decrease from conversion	288.1	6,439.8	259.7	5,435.0	428.4	8,965.0
Cancellation	332.7	3,873.8	325.1	3,466.6	328.1	3,210.3
Expiration	51.8	663.3	52.3	611.5	49.8	530.2
Decrease due to other changes	1.3	300.2	2.2	256.0	2.3	172.9
At period-end	8,765.4	83,389.5	8,800.0	78,971.9	8,797.7	74,463.2
Net increase (decrease)	(15.6)	¥ (5,461.7)	34.5	¥ (4,417.5)	(2.2)	¥ (4,508.6)

Individual annuities

In response to shifting customer demand from mortality insurance to savings-type products, the number of policies for individual annuities has increased year on year during the years ended March 31, 2014 and March 31, 2015. Policy amounts for individual annuities slightly decreased year on year during the year ended March 31, 2015. See "Business—Products and Services—Individual Annuities."

	Year ended March 31,					
	2013		2014		2015	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
	(Thousands of policies and billions of yen)					
At the beginning of the period	2,194.4	¥12,702.6	2,365.8	¥13,563.3	2,451.9	¥13,868.5
Increase due to:						
New policies	252.1	1,402.5	181.5	961.9	167.3	849.9
Reinstatements	1.6	10.1	2.0	12.4	2.0	12.4
Increase of insurance amount	–	0.1	–	0.1	–	0.0
Conversion	–	–	–	–	–	–
Decrease due to:						
Death	5.7	34.2	5.9	34.6	5.8	34.1
Completion of payments	16.0	0.2	17.3	0.2	18.2	0.0
Decrease of insurance amount	–	11.9	–	15.6	–	17.4
Decrease from conversion	0.5	3.6	0.5	3.3	0.3	2.0
Cancellation	50.4	305.4	54.6	325.1	55.9	324.4
Expiration	4.1	24.1	5.0	28.1	4.7	25.5
Decrease due to other changes	5.4	172.4	13.8	262.1	49.9	461.0
At period-end	2,365.8	13,563.3	2,451.9	13,868.5	2,486.2	13,866.2
Net increase (decrease)	171.3	¥ 860.7	86.1	¥ 305.2	34.2	¥ (2.3)

Note:

(1) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced. Because the policy reserve amount changes over time, in contrast to the static nature of policy amounts of insurance policies, the amount of net increase (decrease) in the policy amount column does not match the total of the individual items.

Group insurance

We face a difficult domestic operating environment, which includes a declining birth rate and an aging population as well as a decrease of full-time employment; however, we believe there are increasing business opportunities in the form of group insurance with employee contributions due to the higher expectation for the role of businesses to supplement existing social security. See "Business—Products and Services—Group Insurance."

	Year ended March 31,					
	2013		2014		2015	
	Number of insured	Policy amount	Number of insured	Policy amount	Number of insured	Policy amount
	(Thousands of policies and billions of yen)					
At the beginning of the period	28,395.4	¥109,167.8	28,193.1	¥110,128.0	28,124.0	¥111,005.9
Increase due to:						
New policies	178.3	927.7	436.6	1,878.5	1,149.7	751.2
Renewals	15,753.5	65,269.8	16,077.1	65,894.8	16,052.1	66,641.3
Reinstatements	–	–	–	–	–	–
Midterm enrollment	1,905.4	6,296.7	1,612.1	6,235.5	1,601.9	5,923.0
Increase of insurance amount	–	903.3	–	667.6	–	999.5
Decrease due to:						
Death	52.7	151.4	51.7	148.8	51.7	146.0
Maturity	15,718.7	64,716.9	16,113.6	66,228.4	16,207.7	66,537.4
Withdrawal	1,882.1	4,911.2	1,879.4	5,002.0	1,808.7	4,560.1
Decrease of insurance amount	–	2,389.3	–	2,358.4	–	2,326.6
Cancellation	387.2	264.5	45.8	61.1	238.1	111.3
Expiration	0.1	0.3	(0.3)	(2.8)	–	–
Decrease due to other changes	(1.3)	3.5	104.7	2.6	(1.5)	3.5
At period-end	28,193.1	110,128.0	28,124.0	111,005.9	28,622.9	111,636.1
Net increase (decrease)	(202.2)	¥ 960.1	(69.1)	¥ 877.9	498.8	¥ 630.1

Group annuities

To mitigate the negative spread risk from declining interest rates and liquidity risk due to surrenders upon rising interest rates, we maintain a solid risk management system including a system by which we limit sales of certain products depending on interest rate levels. See "Business—Products and Services—Group Annuities."

	Year ended March 31,					
	2013		2014		2015	
	Number of insured(2)	Policy amount(3)	Number of insured(2)	Policy amount(3)	Number of insured(2)	Policy amount(3)
	(Thousands of policies and billions of yen)					
At the beginning of the period	12,399.5	¥ 6,512.3	12,323.8	¥6,683.2	12,286.9	¥6,970.5
Increase due to:						
New policies	222.1	3.1	45.4	0.5	7.4	1.5
Decrease due to:						
Annuity payments	2,100.6	243.8	2,219.4	260.4	2,249.5	278.3
Single payments	667.4	282.3	659.7	272.3	621.3	251.7
Cancellation	167.1	27.5	112.8	42.5	164.3	31.7
At period-end	12,323.8	6,683.2	12,286.9	6,970.5	11,908.2	7,133.6
Net increase (decrease)	(75.6)	¥ 170.9	(36.9)	¥ 287.2	(378.6)	¥ 163.1

Notes:

(1) In the above table, policy amount represents the sum of the policy amount for all ten product categories within our group annuities product line, while the number of insured represents the sum of the number of insured for only four of such product categories. Because of increases in policy amount of product categories that are not included in the number of insured, policy amount increased year on year during the years ended March 31, 2014 and 2015, despite decreases in the number of insured during the same periods.

(2) The number of insured in the table above is measured as of the beginning or end, as the case may be, of the applicable period. As a result, the amount of net increase in the number of insured column does not match the total of the individual items.

(3) For policy amount, the new policy amount is equal to the initial premium payment and the total policy amount in force is equal to the amount of outstanding corresponding policy reserves. Because the amount of policy reserves changes over time, in contrast to the static nature of policy amounts of annuity policies, the amount of net increase (decrease) in the policy amount column does not match the total of the individual items.

Separate accounts

Assets related to our individual variable insurance and individual variable annuities and a portion of our group annuity products, including group employee pension fund insurance and national pension fund insurance, are held in our separate accounts. Separate account assets and liabilities represent funds that we administer and invest to meet specific investment objectives of policyholders and for which such policyholders bear the investment risk of the invested assets. The following table sets forth the amount of separate account assets as of the dates indicated, on a non-consolidated basis:

	As of March 31,			As of June 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
Individual variable insurance	¥ 71.8	¥ 71.9	¥ 77.2	¥ 72.0	¥ 78.0
Individual variable annuities	304.7	349.3	366.1	364.3	364.3
Group annuity products	394.3	400.9	421.5	391.0	408.4
Total separate account assets	771.0	822.3	864.9	827.4	850.8

Over the three years ended March 31, 2013, 2014 and 2015 and the three months ended June 30, 2014 and 2015, separate account assets increased year on year in each of the individual variable insurance, individual variable annuities and group annuity products categories.

The following table sets forth the policy amount in force for term and whole life individual variable insurance as of the dates indicated, on a non-consolidated basis:

	As of March 31,			As of June 30,	
	2013	2014	2015	2014	2015
	(Billions of yen)				
Individual variable insurance (endowment)	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Individual variable insurance (whole life)	568.7	551.7	532.1	546.7	527.4

Comparison of the Three Months Ended June 30, 2014 and 2015

Ordinary income

	Three months ended June 30,	
	2014	2015
	(Billions of yen)	
Ordinary income:		
Insurance premiums and other	¥ 949.0	¥ 978.7
Investment income	295.2	206.9
Other ordinary income	39.4	30.5
Total ordinary income	¥ 1,283.7	¥ 1,216.2

Ordinary income decreased by ¥67.5 billion, or 5.3%, to ¥1,216.2 billion for the three months ended June 30, 2015 from ¥1,283.7 billion for the same period of the previous year, primarily due to a decrease in investment income, partially offset by an increase in insurance premiums and other.

Insurance premiums and other. Revenues from insurance premiums and other increased by ¥29.7 billion, or 3.1%, to ¥978.7 billion for the three months ended June 30, 2015 from ¥949.0 billion for the same period of the previous year, primarily due to strong sales of “Best Style,” our main product for individual insurance.

The following table shows a breakdown of our net investment income for the three months ended June 30, 2014 and 2015:

	Three months ended June 30,	
	2014	2015
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥ 160.9	¥ 164.1
Gains on money held in trust	–	0.0
Gains on sales of securities	100.9	0.2
Investment gains on separate accounts	21.9	14.5
Total investment income	¥ 295.2	¥ 206.9
Investment expenses:		
Interest expenses	¥ 0.8	¥ 0.8
Losses on sales of securities	0.0	0.4
Losses on valuation of securities	0.0	6.2
Total investment expenses	21.9	49.6
Net investment income	¥ 273.3	¥ 157.3

Net investment income. Net investment income decreased by ¥116.0 billion, or 42.4%, to ¥157.3 billion for the three months ended June 30, 2015 from ¥273.3 billion for the same period of the previous year due to a ¥88.3 billion decrease in total investment income from ¥295.2 billion to ¥206.9 billion and a ¥27.7 billion increase in total investment expenses from ¥21.9 billion to ¥49.6 billion.

The decrease in total investment income was primarily due to a decrease in gains on sales of securities from ¥100.9 billion to ¥0.2 billion, which more than offset a slight increase in interest, dividends and other income. The decrease in gains on sales of securities was due to the fact that, during the three months ended June 30, 2014, we were still in the process of selling certain domestic bonds that had been held as available-for-sale securities as part of the restructuring of our domestic bond portfolio towards more policy-reserve-matching bonds. We suspended such restructuring process during the entirety of the three months ended June 30, 2015 due to the low interest rate environment in Japan.

The increase in total investment expenses was primarily due to an increase in losses on derivative financial instruments, a line item which we do not separately disclose in our consolidated quarterly financial statements, associated with hedging activities for foreign bonds.

Other ordinary income. Other ordinary income decreased by ¥8.9 billion, or 22.7%, to ¥30.5 billion for the three months ended June 30, 2015 from ¥39.4 billion for the same period of the previous year.

Ordinary expenses

	Three months ended June 30,	
	2014	2015
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 704.9	¥ 632.9
Provision for policy reserves and other reserves	240.6	319.1
Investment expenses	21.9	49.6
Operating expenses	85.7	91.8
Other ordinary expenses	47.1	59.7
Total ordinary expenses	¥ 1,100.5	¥ 1,153.4

Ordinary expenses increased by ¥52.8 billion, or 4.8%, to ¥1,153.4 billion for the three months ended June 30, 2015 from ¥1,100.5 billion for the same period of the previous year, primarily due to an increase in provision for policy reserves and other reserves, partially offset by a decrease in benefits and other payments.

Benefits and other payments. Benefits and other payments decreased by ¥72.0 billion, or 10.2%, to ¥632.9 billion for the three months ended June 30, 2015 from ¥704.9 billion for the same period of the previous year, primarily due to decreases in claims paid and annuity payments, partially offset by an increase in surrender benefits.

Provision for policy reserves and other reserves. Provision for policy reserves and other reserves increased by ¥78.5 billion, or 32.6%, to ¥319.1 billion for the three months ended June 30, 2015 from ¥240.6 billion for the same period of the previous year, primarily due to an increase in sales of single premium individual whole life insurance.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses increased by ¥6.0 billion, or 7.1%, to ¥91.8 billion for the three months ended June 30, 2015 from ¥85.7 billion for the same period of the previous year.

Other ordinary expenses. Other ordinary expenses increased by ¥12.5 billion, or 26.6%, to ¥59.7 billion for the three months ended June 30, 2015 from ¥47.1 billion for the same period of the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥120.3 billion, or 65.7%, to ¥62.7 billion for the three months ended June 30, 2015 from ¥183.1 billion for the same period of the previous year.

Extraordinary gains and losses

We did not record significant extraordinary gains for the three months ended June 30, 2015 and June 30, 2014. Extraordinary losses decreased by ¥46.0 billion, or 89.6%, to ¥5.3 billion for the three months ended June 30, 2015 from ¥51.3 billion for the same period of the previous year, primarily due to a decrease in our provision for reserve for price fluctuation.

Surplus before income taxes and minority interests

As a result of the foregoing, surplus before income taxes and minority interests decreased by ¥74.3 billion, or 56.4%, to ¥57.4 billion for the three months ended June 30, 2015 from ¥131.7 billion for the same period of the previous year.

Income taxes

	Three months ended June 30,	
	2014	**2015**
	(Billions of yen)	
Income taxes:		
Current	¥ 17.1	¥ 6.4
Deferred	0.1	(0.0)

Income taxes—current. Current income taxes decreased by ¥10.7 billion, or 62.6%, to ¥6.4 billion for the three months ended June 30, 2015 from ¥17.1 billion for the same period of the previous year.

Income taxes—deferred. Deferred income taxes decreased by ¥0.1 billion to ¥(0.0) billion for the three months ended June 30, 2015 from ¥0.1 billion for the same period of the previous year.

Surplus before minority interests

Surplus before minority interests decreased by ¥63.4 billion, or 55.4%, to ¥51.0 billion for the three months ended June 30, 2015 from ¥114.5 billion for the same period of the previous year.

Net surplus

Net surplus decreased by ¥63.4 billion, or 55.4%, to ¥51.0 billion for the three months ended June 30, 2015 from ¥114.5 billion for the same period of the previous year.

Comparison of the Years Ended March 31, 2014 and 2015

Ordinary income

	Year ended March 31, 2014	Year ended March 31, 2015
	(Billions of yen)	
Ordinary income:		
Insurance premiums and other	¥ 3,638.2	¥ 3,431.4
Investment income	981.6	1,030.4
Other ordinary income	161.4	137.9
Total ordinary income	¥ 4,781.4	¥ 4,599.8

Ordinary income decreased by ¥181.6 billion, or 3.8%, to ¥4,599.8 billion for the year ended March 31, 2015 from ¥4,781.4 billion for the previous year, primarily due to a decrease in insurance premiums and other, partially offset by an increase in investment income.

Insurance premiums and other. Insurance premiums and other decreased by ¥206.8 billion, or 5.7%, to ¥3,431.4 billion for the year ended March 31, 2015 from ¥3,638.2 billion for the previous year, primarily due to our tightening of sales of single premium individual whole life insurance in our bancassurance channel. Because sales and surrenders of single premium individual whole life insurance policies, which provide guaranteed interest rates and are sold primarily through our bancassurance channel, are particularly affected by interest rate risk, we purposefully limited the amount of such sales per financial institution to mitigate the risk of large numbers of surrenders in the event of an interest rate increase. This decrease in sales in our bancassurance channel was partially offset by an increase in sales in our sales representative channel resulting from strong sales of "Best Style."

The following table shows a breakdown of our net investment income for the years ended March 31, 2014 and 2015:

	Year ended March 31, 2014	Year ended March 31, 2015
	(Billions of yen)	
Investment income:		
Interest, dividends and other income	¥ 669.7	¥ 698.4
Gains on money held in trust	0.0	0.0
Gains on sales of securities	220.5	186.2
Gains on redemption of securities	36.4	58.0
Foreign exchange gains	0.0	–
Reversal of allowance for possible loan losses	1.3	2.8
Other investment income	0.7	0.8
Investment gains on separate accounts	52.7	83.8
Total investment income	¥ 981.6	¥ 1,030.4
Investment expenses:		
Interest expenses	¥ 3.3	¥ 3.3
Losses on sales of securities	28.0	0.3
Losses on valuation of securities	1.7	0.3
Losses on redemption of securities	0.0	–
Losses on derivative financial instruments	57.4	71.0
Foreign exchange losses	–	0.1
Depreciation of real estate for non-insurance business	9.8	9.7
Other investment expenses	11.5	12.9
Total investment expenses	111.8	97.9
Net investment income	¥ 869.8	¥ 932.5

Net investment income. Net investment income increased by ¥62.7 billion, or 7.2%, to ¥932.5 billion for the year ended March 31, 2015 from ¥869.8 billion for the year ended March 31, 2014 due to a ¥48.8 billion increase in total investment income from ¥981.6 billion to ¥1,030.4 billion and a ¥13.9 billion decrease in total investment expenses from ¥111.8 billion to ¥97.9 billion.

The increase in total investment income was primarily due to increases in (i) interest, dividends and other income, (ii) gains on redemption of securities and (iii) investment gains on separate accounts. The increase in interest, dividends and other income resulted from an increase in interest income from foreign bonds, driven in part by a weaker Japanese yen, as well as an increase in dividends from stocks driven by improved market conditions. Gains on redemption of securities increased because of a weaker yen increasing the value of our gains on redemption of foreign securities, and investment gains on separate accounts increased because of an increase in domestic stock prices. These factors more than offset a decrease in gains on sales of securities as we suspended the restructuring of our domestic bonds from available-for-sale securities towards more policy-reserve-matching bonds during the year ended March 31, 2015 due to the low interest rate environment in Japan.

The decrease in total investment expenses was primarily due to a decrease in losses on sales of securities resulting mainly from our restructuring of our foreign bond portfolio in the fiscal year ended March 31, 2014 to take advantage of an increase in interest rates in the United States. This decrease in losses on sales of securities was offset in part by an increase in losses on derivative financial instruments associated with hedging activities for foreign bonds.

Other ordinary income. Other ordinary income decreased by ¥23.5 billion, or 14.6%, to ¥137.9 billion for the year ended March 31, 2015 from ¥161.4 billion for the previous year.

Ordinary expenses

	Year ended March 31, 2014	Year ended March 31, 2015
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 2,287.4	¥ 2,607.5
Provision for policy reserves and other reserves	1,403.4	955.7
Investment expenses	111.8	97.9
Operating expenses	364.7	361.5
Other ordinary expenses	189.1	190.5
Total ordinary expenses	¥ 4,356.5	¥ 4,213.3

Ordinary expenses decreased by ¥143.2 billion, or 3.3%, to ¥4,213.3 billion for the year ended March 31, 2015 from ¥4,356.5 billion for the previous year, primarily due to a decrease in provision for policy reserves and other reserves, partially offset by an increase in benefits and other payments.

Benefits and other payments. Benefits and other payments increased by ¥320.1 billion, or 14.0%, to ¥2,607.5 billion for the year ended March 31, 2015 from ¥2,287.4 billion for the previous year, primarily due to an increase in individual annuity policies whose payout period began.

Provision for policy reserves and other reserves. Provision for policy reserves and other reserves decreased by ¥447.7 billion, or 31.9%, to ¥955.7 billion for the year ended March 31, 2015 from ¥1,403.4 billion for the previous year, primarily due to our limiting of sales of single premium individual whole life insurance in our bancassurance channel.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses decreased by ¥3.2 billion, or 0.9%, to ¥361.5 billion for the year ended March 31, 2015 from ¥364.7 billion for the previous year.

Other ordinary expenses. Other ordinary expenses increased by ¥1.4 billion, or 0.7%, to ¥190.5 billion for the year ended March 31, 2015 from ¥189.1 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit decreased by ¥38.4 billion, or 9.0%, to ¥386.4 billion for the year ended March 31, 2015 from ¥424.8 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains increased by ¥4.5 billion, or 321.4%, to ¥5.9 billion for the year ended March 31, 2015 from ¥1.4 billion for the previous year, primarily due to an increase in gains on disposals of fixed assets. Extraordinary losses decreased by ¥102.1 billion, or 78.4%, to ¥28.1 billion for the year ended March 31, 2015 from ¥130.2 billion for the previous year, primarily due to a decrease in our provision for reserve for price fluctuation.

Surplus before income taxes and minority interests

As a result of the foregoing, surplus before income taxes and minority interests increased by ¥68.3 billion, or 23.1%, to ¥364.3 billion for the year ended March 31, 2015, compared to ¥296.0 billion for the previous year.

Income taxes

	Year ended March 31,	
	2014	2015
	(Billions of yen)	
Income taxes:		
Current	¥ 123.9	¥ 119.7
Deferred	(69.4)	(21.1)

Income taxes—current. Current income taxes decreased by ¥4.2 billion, or 3.4%, to ¥119.7 billion for the year ended March 31, 2015 from ¥123.9 billion for the previous year.

Income taxes—deferred. Deferred income taxes increased by ¥48.3 billion to ¥(21.1) billion for the year ended March 31, 2015 from ¥(69.4) billion for the previous year.

Surplus before minority interests

Surplus before minority interests increased by ¥24.2 billion, or 10.0%, to ¥265.7 billion for the year ended March 31, 2015 from ¥241.5 billion for the previous year.

Net surplus

Net surplus increased by ¥24.8 billion, or 10.3%, to ¥265.4 billion for the year ended March 31, 2015 from ¥240.6 billion for the previous year.

Comparison of the Years Ended March 31, 2013 and 2014

Ordinary income

	Year ended March 31,	
	2013	2014
	(Billions of yen)	
Ordinary income:		
Insurance premiums and other	¥ 3,679.8	¥ 3,638.2
Investment income	864.5	981.6
Other ordinary income	184.3	161.4
Total ordinary income	¥ 4,728.7	¥ 4,781.4

Ordinary income increased by ¥52.7 billion, or 1.1%, to ¥4,781.4 billion for the year ended March 31, 2014 from ¥4,728.7 billion for the previous year, primarily due to an increase in investment income, which was offset by decreases in insurance premiums and other and other ordinary income.

Insurance premiums and other. Insurance premiums and other decreased by ¥41.6 billion, or 1.1%, to ¥3,638.2 billion for the year ended March 31, 2014 from ¥3,679.8 billion for the previous year. The decrease was primarily due to a decrease in sales of savings-style products such as single premium individual whole life insurance resulting in part from an increase in price due to the decrease in the standard prospective yield starting in April 1, 2013, as discussed under "—Factors Affecting Results of Operations—Provisions for Policy Reserves."

The following table shows a breakdown of our net investment income for the years ended March 31, 2013 and 2014:

	Year ended March 31,	
	2013	**2014**
		(Billions of yen)
Investment income:		
Interest, dividends and other income	¥ 623.3	¥ 669.7
Gains on money held in trust	0.0	0.0
Gains on sales of securities	151.4	220.5
Gains on redemption of securities	5.3	36.4
Foreign exchange gains	0.7	0.0
Reversal of allowance for possible loan losses	0.4	1.3
Other investment income	0.1	0.7
Investment gains on separate accounts	82.9	52.7
Total investment income	¥ 864.5	¥ 981.6
Investment expenses:		
Interest expenses	¥ 2.9	¥ 3.3
Losses on sales of securities	16.2	28.0
Losses on valuation of securities	28.4	1.7
Losses on redemption of securities	6.1	0.0
Losses on derivative financial instruments	34.2	57.4
Depreciation of real estate for non-insurance business	10.0	9.8
Other investment expenses	10.4	11.5
Total investment expenses	108.4	111.8
Net investment income	¥ 756.1	¥ 869.8

Net investment income. Net investment income increased by ¥113.7 billion, or 15.0%, to ¥869.8 billion for the year ended March 31, 2014 from ¥756.1 billion for the previous year due to a ¥117.1 billion increase in total investment income from ¥864.5 billion to ¥981.6 billion, which more than offset a ¥3.4 billion increase in total investment expenses from ¥108.4 billion to ¥111.8 billion.

The increase in total investment income was primarily due to increases in (i) gains on sales of securities, (ii) interest, dividends and other income and (iii) gains on redemption of securities. The increase in gains on sales of securities resulted primarily from our increase in sales of domestic bonds held as available-for-sale securities as part of the restructuring of our domestic bond portfolio towards more policy-reserve-matching bonds. The increase in interest, dividends and other income was primarily due to an increase in interest income from foreign bonds, driven in part by a weaker Japanese yen. The increase in gains on redemption of securities was primarily due to an increase in redemption of foreign bonds, particularly by U.S. issuers of mortgage-backed securities.

The increase in total investment expenses was due in part to increases in losses on derivative financial instruments associated with hedging activities for foreign bonds and losses on sales of securities resulting from our restructuring of our foreign bond portfolio in the fiscal year ended March 31, 2014 to take advantage of an increase in interest rates in the United States. These factors were partially offset by a decrease in losses on valuation of securities resulting from an increase in domestic stock prices.

Other ordinary income. Other ordinary income decreased by ¥22.9 billion, or 12.4%, to ¥161.4 billion for the year ended March 31, 2014 from ¥184.3 billion for the previous year.

Ordinary expenses

	Year ended March 31,	
	2013	2014
	(Billions of yen)	
Ordinary expenses:		
Benefits and other payments	¥ 2,300.6	¥ 2,287.4
Provision for policy reserves and other reserves	1,343.2	1,403.4
Investment expenses	108.4	111.8
Operating expenses	364.9	364.7
Other ordinary expenses	211.1	189.1
Total ordinary expenses	¥ 4,328.3	¥ 4,356.5

Ordinary expenses increased by ¥28.2 billion, or 0.7%, to ¥4,356.5 billion for the year ended March 31, 2014 from ¥4,328.3 billion for the previous year, primarily due to an increase in provision for policy reserves and other reserves and, to a lesser extent, an increase in investment expenses. The increases in these accounts were partially offset by a decrease in benefits and other payments and other ordinary expenses.

Benefits and other payments. Benefits and other payments decreased by ¥13.2 billion, or 0.6%, to ¥2,287.4 billion for the year ended March 31, 2014 from ¥2,300.6 billion for the previous year.

Provision for policy reserves and other reserves. Provision for policy reserves and other reserves increased by ¥60.2 billion, or 4.5%, to ¥1,403.4 billion for the year ended March 31, 2014 from ¥1,343.2 billion for the previous year, primarily due to an increase in our contingency reserves.

Investment expenses. See discussion of "—Net investment income" above.

Operating expenses. Operating expenses were ¥364.7 billion for the year ended March 31, 2014, remaining almost even with operating expenses for the previous year.

Other ordinary expenses. Other ordinary expenses decreased by ¥22.0 billion, or 10.4%, to ¥189.1 billion for the year ended March 31, 2014 from ¥211.1 billion for the previous year.

Ordinary profit

As a result of the foregoing, ordinary profit increased by ¥24.5 billion, or 6.1%, to ¥424.8 billion for the year ended March 31, 2014 from ¥400.3 billion for the previous year.

Extraordinary gains and losses

Extraordinary gains decreased by ¥8.4 billion, or 85.7%, to ¥1.4 billion for the year ended March 31, 2014 from ¥9.8 billion for the previous year, primarily due to a decrease in gains on disposals of fixed assets. Extraordinary losses increased by ¥6.9 billion, or 5.6%, to ¥130.2 billion for the year ended March 31, 2014 from ¥123.3 billion for the previous year, primarily due to an increase in provision for reserve for price fluctuation and an increase in loss on disposals of fixed assets and impairment losses.

Surplus before income taxes and minority interests

As a result of the foregoing, surplus before income taxes and minority interests increased by ¥9.1 billion, or 3.1%, to ¥296.0 billion for the year ended March 31, 2014 from ¥286.9 billion for the previous year.

Income taxes

	Year ended March 31,	
	2013	2014
	(Billions of yen)	
Income taxes:		
Current	¥ 85.7	¥ 123.9
Deferred	(35.5)	(69.4)

Income taxes—current. Current income taxes increased by ¥38.2 billion, or 44.6%, to ¥123.9 billion for the year ended March 31, 2014 from ¥85.7 billion for the previous year.

Income taxes—deferred. Deferred income taxes decreased by ¥33.9 billion to ¥(69.4) billion for the year ended March 31, 2014 from ¥(35.5) billion for the previous year.

Surplus before minority interests

Surplus before minority interests increased by ¥4.8 billion, or 2.0%, to ¥241.5 billion for the year ended March 31, 2014 from ¥236.7 billion for the previous year.

Net surplus

Net surplus increased by ¥3.9 billion, or 1.6%, to ¥240.6 billion for the year ended March 31, 2014 from ¥236.7 billion for the previous year.

Embedded Value

Overview

We disclose embedded value to provide investors with an additional tool to evaluate the corporate value of our business.

We disclose our profits in financial statements prepared in accordance with Japanese GAAP, as required by Japanese regulations. The bases used to value assets and liabilities reported in Japanese GAAP financial statements are primarily concerned with demonstrating the solvency of life insurance companies, and Japanese GAAP financial statements do not indicate the present value of future profits on in-force business. An alternative method of measuring the corporate value and profitability of a life insurance company is the embedded value method. Embedded value is an actuarially determined estimate of the economic value of the life insurance operations of an insurance company based on a particular set of future experience assumptions. While, under Japanese GAAP, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits on in-force business as of the date of the embedded value calculation, excluding any value attributable to any potential new business in the future and the impact of expenses assumed to be allocated to such new business.

While embedded value can provide insight into the financial progress of a life insurance company, and, in conjunction with detailed supplemental analyses, may provide a benchmark as a starting point for the valuation of the company, no particular measure can be used as a sole means of valuation, and actual market value may differ materially from embedded value. Because of the technical complexity of embedded value calculations, investors should read this discussion in its entirety, use care in interpreting embedded value and seek advice of experts familiar with embedded value interpretation. See "Forward-Looking Statements."

While no standards of practice have been promulgated in Japan with respect to the development of embedded values, a broad consensus regarding methods and choice of assumptions can be said to exist worldwide. In the year ended March 31, 2010, we began disclosing embedded value on an annual basis in accordance with the EEV Principles and related guidance published by the CFO Forum, an organization representing the chief financial officers of leading European life insurers.

In addition, we have adopted a market-consistent approach to calculating embedded value to address potential shortcomings in embedded value calculations based on traditional embedded value principles and to improve the transparency of our embedded value calculations. Under a market-consistent embedded value approach, cash flows from assets and liabilities are valued consistently with comparable financial instruments traded in deep and liquid markets. Although we have elected to disclose embedded value in accordance with the EEV Principles, we intend to continue to take into account certain aspects of market-consistent methodology. In calculating embedded value, numerous assumptions, only some of which are described here, are required concerning our business lines with respect to industry performance, business and economic conditions and other factors, many of which are outside of our control. Although the assumptions used represent estimates that we believe are appropriate for the purpose of embedded value reporting, future operating conditions may differ, possibly materially, from those assumed in the calculation of embedded value. Consequently, the inclusion of embedded value in this offering circular should not be regarded as a statement by us or any other entity that the stream of future after-tax profits discounted to produce the embedded value figures below will actually be achieved. In addition, calculated embedded values will vary, possibly materially, as key experience assumptions are varied. Further, in the current environment in the Japanese and worldwide financial markets, material uncertainty exists with respect to asset valuations, a key component of embedded value. Market value may deviate materially from a calculated embedded value for many reasons. Any valuation is a matter of informed judgment, and each investor should develop its own view of market value based on a detailed analysis of financial and qualitative information available about us, combined with a consideration of overall expectations regarding the performance of financial markets, attitudes towards risk and return and a variety of other factors. You should not place undue reliance on embedded value calculations in assessing our corporate value.

Our embedded value calculations require us to make certain assumptions including, among others:

- economic assumptions relating to the risk-free rate, interest rates, implied volatilities of equities and currencies, volatilities of real estate and other asset classes, correlations and assumed investment yields on each asset class used for expected return calculations; and
- non-economic assumptions relating to operating expenses, policyholder dividends and effective tax rates.

In general, our past operating experience, adjusted as appropriate to reflect reasonable future expectations, is used to develop these assumptions which are described in more detail below under "—Assumptions."

Methodology

The methodology and assumptions adopted by us to calculate embedded value are market-consistent and in accordance with the EEV Principles and related guidance issued by the CFO Forum in May 2004, as well as further guidance on minimum required disclosure of sensitivities and other items issued by the CFO Forum in October 2005.

In calculating embedded value, the covered business is defined as all of our life insurance businesses, except that the balance sheet value of Pacific Guardian Life Insurance Company, Limited ("PGL"), a wholly owned life insurance subsidiary located in the United States, together with the balance sheet values of affiliated companies operating life insurance businesses, have been included in the calculation of adjusted net worth as a proxy for their market values, but have not been included in the calculations of value of in-force business or value of new business, as their contribution to the total embedded value is limited. Meiji Yasuda General Insurance Co., Ltd., a subsidiary engaged in non-life insurance businesses, is also not included in the embedded value calculations.

We also apply a look-through adjustment for subsidiaries and affiliated companies in all respects material to the total embedded value, such that profits and losses incurred in transactions by subsidiaries and affiliate companies are reflected in the embedded value calculations to the extent that these transactions are related to the covered business.

Embedded value is calculated as the sum of "adjusted net worth" and "value of in-force business." Although not a component of embedded value, "value of new business" is presented together with embedded value. Brief summaries of the calculation methodology for these three items are provided below.

Adjusted Net Worth

Adjusted net worth represents the market value of assets, including loans, real estate, securities and other assets, in excess of policyholder liabilities, comprised of statutory reserves and other liabilities, such as policyholders' dividend reserves, of the covered business.

Adjusted net worth is calculated by making the following adjustments to the total net assets set forth on the balance sheet:

- Expected disbursements outside of the company from surplus and foundation funds to be repaid to contributors are excluded from adjusted net worth.
- Liability items that are treated as retained earnings for the calculation of embedded value (contingency reserve, reserve for price fluctuation, the unallocated portion of policyholders' dividend reserves and general reserves for bad debts) are added to adjusted net worth on an after-tax basis.

- Assets and liabilities which are not held at market value on the balance sheet, such as bonds categorized as "held-to-maturity" and "policy-reserve-matching," loans, real estate and debt, are valued at market for purposes of the embedded value calculation and differences between the market and book values of these assets and liabilities are included in the adjusted net worth on an after-tax basis.
- Unrecognized past service liability and unrecognized actuarial gains and losses for retirement benefit obligations are deducted from the adjusted net worth on an after-tax basis.

Value of In-Force Business

The value of in-force business is the present value of the future profits that are expected to result from the in-force business as of the embedded value calculation date. It is calculated as the certainty equivalent present value of future after-tax profits net of deductions for the time value of financial options and guarantees, the cost of holding required capital and the allowance for non-financial risks.

Certainty equivalent present value of future profit

The certainty equivalent present value of future profits is the present value of projected future after-tax profits without consideration of elements which are asymmetric with respect to changes in economic assumptions. It is calculated using risk-free rates for the investment yields of all assets and for the discount rates.

The certainty equivalent present value of future profits reflects the intrinsic value of financial options and guarantees, such as policyholders' dividends, but does not include the time value of financial options and guarantees, which is calculated separately.

Time value of financial options and guarantees

The value of financial options and guarantees is calculated using a stochastic approach based on economic assumptions consistent with the market value of traded options. The time value of financial options and guarantees is calculated as the difference between the certainty equivalent present value of the future profits and the average of the present value of the future profits calculated using the stochastic approach.

The following are considered significant options and guarantees in calculating the time value of financial options and guarantees:

- *Participating policy dividends*. For participating policies, policyholders receive dividends when surpluses arise. However, when losses arise, the liability of policyholders is limited to paying premiums and no additional costs are assessed.
- *Variable product minimum guarantees*. For variable products with minimum guarantees, the benefits of investment performance on the underlying fund that exceed the minimum guarantee level belong to the policyholders. However, in cases where the performance of the underlying fund is unfavorable and thus the reserve amount is less than the minimum guarantee amount, we bear the cost of the difference between the minimum guarantee benefits and the fund value.
- *Variable product minimum guarantees*. For interest-sensitive products, the crediting rate varies depending on the underlying market environment. We bear the cost of maintaining the minimum guaranteed crediting rate if market interest rates decline below the level of the minimum guarantee.
- *Policyholder behavior*. Policyholders have the right to surrender their life insurance policies voluntarily. Lapse behavior, which depends dynamically on economic assumptions, such as interest rates, is assumed for purposes of the embedded value calculations.

Cost of holding required capital

To maintain financial soundness, life insurance companies are required to hold capital above the level of statutory liabilities. The cost of holding such required capital is defined as the present value of the sum of taxes on the investment income on assets backing the required capital and the expenses incurred in connection with the management of the assets.

The EEV Principles stipulate that the required capital must be at least the level of the statutory minimum capital requirement and may include amounts required to meet internal objectives. We define required capital for purposes of calculating the cost of holding required capital as the level of capital needed to maintain a 350% regulatory solvency margin ratio. The values of required capital as of March 31, 2014 and March 31, 2015 were ¥871.8 billion and ¥1,090.4 billion, respectively.

Allowance for non-financial risks

The EEV Principles require that sufficient allowance be made for aggregate risks in the covered business for embedded value calculations. We consider the majority of non-financial risks to profits as diversifiable. For example, for a non-financial risk such as fluctuations in mortality experience, for which the best estimate assumptions employed for the calculation of the certainty equivalent present value of future profits produce the expected average value of profit, no additional adjustments should be required.

On the other hand, some non-financial risks, such as operational risk and pandemic risk, are not reflected in the best estimate assumptions applied and therefore are not captured in the calculation of the certainty equivalent present value of future profits.

In addition, taxes are paid when profits arise, while taxes are not paid when losses occur in a certain reporting period. Tax-basis losses can be carried forward and utilized to offset future profits. However, as the period over which losses can be carried forward is limited, there is a risk that we will not be able to utilize fully the benefits from losses carried forward.

We quantify the non-financial risks described above using simplified models.

Value of New Business

The value of new business for a given reporting period represents the present value of the future after-tax profits for the new business at the point of acquisition. Acquisition costs and commissions are reflected in the value of new business.

The same assumptions applied to the calculation of the value of in-force business are applied to the calculation of the value of new business, except that economic assumptions as at the time of policy acquisition are applied in calculating the value of new business for single premium whole life products.

For individual life insurance policies, new policies (including future renewals) and net increases of policies due to coverage revisions and conversions are included in the calculation of value of new business, while renewals of existing policies and rider additions after the initial issuance of such policies are not included. For group life insurance policies, new policies and net increases in our share of co-managed policies are included in the calculation of value of new business.

Embedded Value as of March 31, 2014 and 2015

The table below sets forth our embedded value as of March 31, 2014 and 2015 and the value of new business for the years ended March 31, 2014 and 2015:

	As of and for the year ended March 31,		Increase (Decrease)
	2014	2015	
	(Billions of yen)		
Embedded value	¥4,218.5	¥5,490.5	¥1,271.9
Adjusted net worth	3,799.9	5,595.7	1,795.7
Value of in-force business	418.5	(105.2)	(523.7)
Value of new business	181.1	166.0	(15.0)

The table below sets forth a breakdown of the adjusted net worth for the years ended March 31, 2014 and 2015.

	As of and for the year ended March 31,		Increase
	2014	2015	(Decrease)
	(Billions of yen)		
Adjusted Net Worth	¥3,799.9	¥5,595.7	¥1,795.7
Total net assets on the consolidated balance sheet(1)	692.0	785.3	93.3
Retained earnings in liabilities (after tax)(2)	796.7	829.8	33.1
Unrealized gains/losses on securities (after tax)(3)	2,198.1	3,727.2	1,529.1
Unrealized gains/losses on loans (after tax)	132.1	201.0	68.8
Unrealized gains/losses on real estate (after tax)(4)	109.4	137.0	27.5
Unrealized gains/losses on liabilities (after tax)(5)	(4.7)	(4.4)	0.3
Unrealized gains/losses on retirement benefit obligations (after tax)(6)	(65.6)	(21.7)	43.8
Net assets not allocated to life insurance businesses(7)	(58.2)	(58.6)	(0.4)

Notes:

(1) Figures do not include foundation funds, unrealized gains/losses on securities categorized as "available for sale," unrealized gains/losses on real estate, or expected disbursements from capital.

(2) Represents the sum of contingency reserve, reserve for price fluctuation and the unallocated portion of policyholders' dividend reserves.

(3) For purposes of calculating embedded value, domestic listed stocks are recorded at their market values as of the end of the relevant reporting period, whereas, for accounting purposes under Japanese GAAP, they are recorded on the balance sheet at their average market values during the last month of the reporting period.

(4) Represents the difference between the market value and the book value before revaluation.

(5) Represents unrealized gains/losses for foundation funds and subordinated loans.

(6) Represents unrecognized past service liability and unrecognized actuarial gains/losses.

(7) Represents the net asset value of Meiji Yasuda General Insurance Co., Ltd., which is excluded from the adjusted net worth calculations as it is not part of the covered business.

The table below sets forth a breakdown of the value of in-force business as of March 31, 2014 and 2015.

	As of March 31,		Increase
	2014	2015	(Decrease)
	(Billions of yen)		
Value of in-force business	¥ 418.5	¥(105.2)	¥(523.7)
Certainty equivalent present value of future profits	760.7	138.0	(622.6)
Time value of financial options and guarantees	(267.4)	(172.0)	95.4
Cost of holding required capital	(55.6)	(47.5)	8.1
Allowance for non-financial risks	(19.0)	(23.6)	(4.6)

The table below sets forth a breakdown of the value of new business for the years ended March 31, 2014 and 2015.

	For the year ended March 31,		Increase
	2014	2015	(Decrease)
	(Billions of yen)		
Value of new business	¥181.1	¥166.0	¥(15.0)
Certainty equivalent present value of future profits	203.9	184.7	(19.1)
Time value of financial options and guarantees	(16.7)	(13.6)	3.1
Cost of holding required capital	(4.5)	(3.6)	0.9
Allowance for non-financial risks	(1.4)	(1.3)	0.0

The table below sets forth the new business margins (the ratio of the value of new business to the present value of future premiums) for the years ended March 31, 2014 and 2015.

	For the year ended March 31, 2014	For the year ended March 31, 2015	Increase (Decrease)
	(Billions of yen, except percentages and basis points)		
Value of new business	¥181.1	¥166.0	¥(15.0)
Present value of future premiums[1]	2,846.1	2,555.2	(290.8)
New business margin	6.37%	6.50%	0.13 points

Note:

(1) Future premiums are discounted by the risk-free rate used for the value of new business calculation.

Movement Analysis

The table below sets forth a movement analysis of the change in our embedded value from March 31, 2014 to March 31, 2015.

	Adjusted net worth	Value of in-force business	Embedded value
	(Billions of yen)		
Values as of March 31, 2014	¥3,799.9	¥418.5	¥4,218.5
Opening adjustments	2.7	–	2.7
Adjusted values as of March 31, 2014	3,802.7	418.5	4,221.3
Value of new business	–	166.0	166.0
Expected existing business contribution at the risk-free rate	1.5	0.5	2.0
Expected existing business contribution in excess of the risk-free rate	41.6	256.3	298.0
Transfers from value of in-force business to adjusted net worth	62.6	(62.6)	–
On in-force business at beginning of year	186.4	(186.4)	–
On new business	(123.8)	123.8	–
Non-economic experience variances	26.0	12.1	38.1
Non-economic assumptions changes	–	86.1	86.1
Economic variances	1,704.0	(1,105.7)	598.2
Other variances	(42.8)	123.3	80.4
Total change	1,793.0	(523.7)	1,269.2
Values as of March 31, 2015	¥5,595.7	¥(105.2)	¥5,490.5

Set forth below are brief summaries of the line items included in the table above regarding the change in our embedded value from March 31, 2014 to March 31, 2015.

Opening adjustments. Opening adjustments represent the impact from the change made during the year ended March 31, 2014 in service period attribution methodology for projected retirement benefit obligations from a fixed attribution basis to a payment calculation basis. Such change was made based on the "Accounting Standards for Retirement Benefits" (ASBJ, May 17, 2012) and "Guidance on Accounting Standards for Retirement Benefits" (ASBJ, May 17, 2012), two principal accounting standards we adopted beginning for the year ended March 31, 2015.

Value of new business. This represents the value of new business at the time of sale, after all acquisition-related costs, attributable to new business obtained during the year ended March 31, 2015.

Expected existing business contribution at the risk-free rate. As future profits are discounted at risk-free rates in the calculation of embedded value, the unwinding of the discounted value at the risk-free rate contributes to the change in the embedded value in each period. This item includes the release for the year ended March 31, 2015 of the time value of financial options and guarantees, the cost of holding required capital, the allowance for non-financial risks and investment earnings at the risk-free rate from assets underlying the adjusted net worth.

Expected existing business contribution in excess of the risk-free rate. While risk-free rates are applied to calculate the present value of future profits for embedded value, as life insurance companies normally hold riskier assets such as domestic and foreign stocks, investment returns that exceed the risk-free rate are expected. This item represents the expected existing business contribution from such riskier holdings in excess of the risk-free rate.

Transfers from value of in-force business to adjusted net worth. The expected profit arising from the in-force business during the year ended March 31, 2015 is transferred to adjusted net worth. This item includes the profits expected to arise from the in-force business as of March 31, 2014, as well as the profits from new business acquired during the year ended March 31, 2015. These transfers occur between components of embedded value and do not impact the total embedded value.

Non-economic experience variances. This item represents the impact of variances between non-economic assumptions, which are applied in the calculation of the value of in-force business as of March 31, 2014, and the actual experience for the year ended March 31, 2015.

Non-economic assumptions changes. This item represents the impact of changes in non-economic assumptions from the previous year to the current year, as these assumptions changes result in changes to the projected profits after the valuation date of March 31, 2015. The primary reason for the increase in the value of in-force business was due to the lowering of mortality assumptions.

Economic variances. This item represents the impact of differences between actual investment returns in the period and the expected investment returns and the impact of the changes to the economic assumptions at March 31, 2015, such as changes in risk-free rates and implied volatilities.

Other variances. This item includes the impact of factors, such as the change in the Japanese corporate tax system, other than those stated above. Also covered within this item is the additional reserves that were set aside as of March 31, 2015 for variable life and single premium endowment insurance products. Such additional reserves resulted in a decrease in the adjusted net worth of ¥134.4 billion and a corresponding increase in value of in-force business by the same amount.

Sensitivity Analysis

The table below shows a sensitivity analysis of the embedded value to changes in the assumptions underlying the embedded value calculations. Although each figure in the tables in this section indicate the sensitivity in response to a change in one parameter, it should be noted that the sum of two or more figures in the table do not indicate the sensitivity to a change in two or more parameters corresponding to such figures.

In the tables in this section, the abbreviation “bps” means basis points.

	Embedded value	Increase (Decrease)
	(Billions of yen)	
Values as of March 31, 2015	¥5,490.5	¥–
Sensitivity 1: 50 bps increase in the risk-free rate	5,698.8	208.3
Sensitivity 2: 50 bps decrease in the risk-free rate	5,183.8	(306.6)
Sensitivity 3: 10% immediate decline in equity and real estate values	5,137.1	(353.4)
Sensitivity 4: 10% decrease in maintenance expenses	5,595.0	104.5
Sensitivity 5: 10% decrease in lapse rates	5,625.4	134.8
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	5,624.1	133.6
Sensitivity 7: 5% decrease in mortality for annuity products	5,465.3	(25.1)
Sensitivity 8: Required capital set to the statutory minimum level	5,514.3	23.8
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	5,449.9	(40.5)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	5,447.1	(43.4)

The sensitivities in the table above show the effect on our total embedded value, but only the value of in-force business is affected in sensitivities 4 through 10. The following table shows the effect on adjusted net worth of sensitivities 1 through 3.

	Increase (Decrease)
	(Billions of yen)
Sensitivity 1: 50 bps increase in the risk-free rate	¥(1,024.3)
Sensitivity 2: 50 bps decrease in the risk-free rate	752.5
Sensitivity 3: 10% immediate decline in equity and real estate values	(359.2)

The table below shows a sensitivity analysis of the value of new business to changes in the assumptions underlying the embedded value calculations.

	Value of new business	Increase (Decrease)
	(Billions of yen)	
Value of new business as of March 31, 2015	¥166.0	¥–
Sensitivity 1: 50 bps increase in the risk-free rate	222.3	56.2
Sensitivity 2: 50 bps decrease in the risk-free rate	110.9	(55.1)
Sensitivity 3: 10% immediate decline in equity and real estate values	166.1	0.0
Sensitivity 4: 10% decrease in maintenance expenses	171.8	5.8
Sensitivity 5: 10% decrease in lapse rates	181.0	15.0
Sensitivity 6: 5% decrease in mortality and morbidity for life insurance products	170.8	4.8
Sensitivity 7: 5% decrease in mortality for annuity products	166.1	0.0
Sensitivity 8: Required capital set to the statutory minimum level	168.1	2.0
Sensitivity 9: 25% increase in the implied volatilities of equity and real estate values	164.2	(1.8)
Sensitivity 10: 25% increase in the implied volatilities of swaptions	162.6	(3.4)

Set forth below are summary descriptions of sensitivities 1 through 10 as used in the tables in this section.

- *Sensitivity 1:* This item represents the effect on our embedded value of an upward parallel shift of 50 basis points in the yield curve of risk-free forward rates.

  In accordance with the EEV Principles, life insurers are required to disclose their embedded value sensitivities to a 100 basis point parallel shift in the yield curve. However, taking into consideration the low level of interest rates in Japan, we disclose instead sensitivities to a 50 basis point parallel shift in the yield curve.

- *Sensitivity 2:* This item represents the effect on our embedded value of a downward parallel shift of 50 basis points in the yield curve of risk-free forward rates. The lower limit of the risk-free forward rates is assumed to be zero.
- *Sensitivity 3:* This item represents the effect on our embedded value of an immediate decline of 10% in equity and real estate values.
- *Sensitivity 4:* This item represents the effect on our embedded value of a decrease of 10% in estimated maintenance expenses associated with maintaining in-force business.
- *Sensitivity 5:* This item represents the effect on our embedded value of a decrease of 10% in the assumed surrender and lapse rates.
- *Sensitivity 6:* This item represents the effect on our embedded value of a decrease of 5% in the assumed mortality and morbidity rates for life and medical insurance products.
- *Sensitivity 7:* This item represents the effect on our embedded value of a decrease of 5% in mortality rates for annuities.

- *Sensitivity 8:* This item represents the effect on our embedded value in the event that required capital was changed to the statutory minimum level, a solvency margin ratio of 200%.
- *Sensitivity 9:* This item represents the effect on our embedded value of an increase of 25% in the implied volatilities of equity and real estate values.
- *Sensitivity 10:* This item represents the effect on our embedded value of an increase of 25% in the implied volatilities of swaptions.

Assumptions

Economic Assumptions

Risk-free rate

In the certainty equivalent present value of future profits calculation, JGBs are used as a proxy for risk-free rates. Given the poor liquidity of ultra-long JGBs, forward rates beyond 30 years are extrapolated based on the yield curve for interest rate swaps in Japan.

The table below shows, for selected terms, the risk-free rates (zero-coupon spot rates) which are used in the calculations.

	As of March 31,	
	2014	**2015**
1 year	0.058%	0.030%
2 year	0.072%	0.037%
3 year	0.112%	0.057%
4 year	0.150%	0.093%
5 year	0.174%	0.131%
10 year	0.641%	0.402%
15 year	1.129%	0.817%
20 year	1.679%	1.198%
25 year	1.811%	1.406%
30 year	1.849%	1.450%
40 year	1.946%	1.453%
50 year	2.038%	1.456%

Source: Bloomberg, after interpolation.

Principal stochastic assumptions

Interest rate model. The interest rate model we have adopted projects interest rates for the Japanese yen, the US dollar, the euro, and the pound sterling. The model uses a risk-neutral approach with the Japanese yen set as the base currency, and correlations between the interest rates have also been taken into account. The interest rate model has been calibrated according to the market environment as of each reporting date, and the parameters used are estimated from the market yield curve and the implied volatilities of interest rate swaptions with various maturities and underlying swap terms. A set of 5,000 scenarios is produced for the stochastic calculation of the time value of financial options and guarantees.

A summary of implied volatilities of interest rate swaptions used to calibrate the scenarios is as set forth in the table below.

		As of March 31,							
		2014				2015			
Option Term	Swap Term	JPY	USD	EUR	GBP	JPY	USD	EUR	GBP
5 year	5 year	36.8%	23.6%	30.9%	23.2%	47.0%	37.3%	84.6%	42.9%
5 year	7 year	32.2%	22.4%	28.7%	21.8%	43.3%	35.8%	82.3%	41.3%
5 year	10 year	27.8%	21.0%	26.8%	20.4%	38.5%	34.6%	83.6%	39.2%
7 year	5 year	29.1%	21.4%	26.1%	20.5%	38.7%	34.6%	83.5%	39.5%
7 year	7 year	26.7%	20.7%	25.2%	19.9%	35.9%	33.7%	82.5%	38.2%
7 year	10 year	24.6%	19.8%	24.7%	19.2%	33.7%	32.8%	84.3%	36.6%
10 year	5 year	23.9%	19.2%	23.4%	18.6%	32.8%	31.9%	95.0%	34.8%
10 year	7 year	22.9%	18.8%	23.4%	18.3%	30.9%	31.3%	95.7%	33.9%
10 year	10 year	22.5%	18.3%	23.7%	17.8%	29.8%	30.1%	101.0%	32.8%

Source: Bloomberg.

Implied volatilities of equities and currencies. Volatilities of major equity indices and currencies are calibrated based on the implied volatilities of options traded in the market.

A summary of the implied volatilities of equities and currencies used to calibrate the scenarios is as set forth in the table below.

			Volatility as of March 31,	
Currency	Underlying Index	Option Term	2014	2015
JPY	Nikkei 225	3 year	20.7%	20.3%
		4 year	20.6%	20.4%
		5 year	20.6%	20.6%
USD	S&P 500	3 year	17.2%	19.6%
		4 year	18.1%	21.0%
		5 year	19.1%	22.2%
EUR	EuroStoxx 50	3 year	18.4%	21.1%
		4 year	18.6%	21.5%
		5 year	18.8%	21.7%
GBP	FTSE 100	3 year	15.8%	17.9%
		4 year	16.6%	18.7%
		5 year	17.4%	19.4%

Source: Markit, after interpolation.

The table below sets forth the implied volatilities of currency options used to calibrate the scenarios:

		Volatility as of March 31,	
Currency	Option Term	2014	2015
USD	10 year	16.5%	14.2%
EUR	10 year	17.4%	14.7%
GBP	10 year	16.2%	15.8%

Source: Bloomberg.

Correlations. In addition to the calibration of volatilities described above, we have calculated certain volatilities reflecting the mix of assets in our asset portfolio and correlations between asset classes. The asset mix is assumed to remain fixed over the projection period.

With regard to correlation factors, market-consistent data from exotic options with sufficient liquidity have not been observed in the market. Therefore, we have estimated correlation factors based on monthly historical market data from March 31, 2005 to March 31, 2015. The following table shows correlation factors between major variables:

	JPY 10 year interest rate	GBP 10 year interest rate	USD 10 year interest rate	EUR 10 year interest rate	GBP-JPY	USD-JPY	EUR-JPY	Nikkei 225	FTSE 100	S&P 500	EuroStoxx 50
JPY 10 year Interest rate	1.00	0.54	0.58	0.50	0.29	0.31	0.15	0.25	0.16	0.14	0.16
GBP 10 year Interest rate	0.54	1.00	0.86	0.82	0.46	0.31	0.28	0.22	0.15	0.21	0.19
USD 10 year Interest rate	0.58	0.86	1.00	0.80	0.48	0.44	0.32	0.32	0.25	0.30	0.30
EUR 10 year Interest rate	0.50	0.82	0.80	1.00	0.45	0.31	0.44	0.31	0.33	0.37	0.36
GBP-JPY	0.29	0.46	0.48	0.45	1.00	0.72	0.79	0.66	0.31	0.47	0.42
USD-JPY	0.31	0.31	0.44	0.31	0.72	1.00	0.61	0.60	0.22	0.25	0.29
EUR-JPY	0.15	0.28	0.32	0.44	0.79	0.61	1.00	0.67	0.48	0.59	0.49
Nikkei 225	0.25	0.22	0.32	0.31	0.66	0.60	0.67	1.00	0.66	0.69	0.69
FTSE 100	0.16	0.15	0.25	0.33	0.31	0.22	0.48	0.66	1.00	0.85	0.87
S&P 500	0.14	0.21	0.30	0.37	0.47	0.25	0.59	0.69	0.85	1.00	0.84
EuroStoxx50	0.16	0.19	0.30	0.36	0.42	0.29	0.49	0.69	0.87	0.84	1.00

Source: Bloomberg and Ministry of Finance, after interpolation.

Assumed investment returns for the calculations of expected returns. Assumed investment returns on major asset categories used for the calculation of "Expected existing business contribution" in "—Movement Analysis" are as follows. The total assumed annualized investment return is 1.6%.

The table below sets forth the assumed investment returns on each asset used to calculate "Expected existing business contribution in excess of the risk-free rate" in "—Movement Analysis" above.

Asset class	Assumed investment returns (used to calculate the change from March 31, 2014 to March 31, 2015)
Cash	0.0%
Fixed income	1.0%
Domestic stocks	6.5%
Foreign bonds	2.4%

Non-Economic Assumptions

All cash flows (premiums, operating expenses, insurance benefits and claims, cash surrender value, tax, etc.) are projected based on best estimate assumptions set for each product type, taking into account past, current and expected future experience.

Operating Expenses

Assumptions for operating expenses are derived based our experiences and do not reflect assumed future expense improvements. In addition, the future inflation rate is assumed to be zero. The look-through adjustment is applied in all material respects to the total embedded value for subsidiaries and affiliated companies engaged in the covered business.

The consumption tax rate is set in accordance with revisions to the consumption tax system. The current rate of 8% is assumed to increase to 10% in April 2017.

Policyholder dividends

Policyholder dividend rates are set based on the current dividend policy, and the projected dividend rate is dynamically linked to each market-consistent risk neutral scenario.

Effective tax rate

Reflecting the change in corporate tax rates, the effective tax rate used in the projection of future profits is set to 30.73% for the year ended March 31, 2015 and 28.80% for the year ending March 31, 2016 and each year thereafter.

Liquidity and Capital Resources

Cash Flows

The following table sets forth information about our cash flows during the years ended March 31, 2013, 2014 and 2015:

	Year ended March 31,		
	2013	2014	2015
	(Billions of yen)		
Net cash provided by operating activities	¥ 1,282.2	¥ 1,138.4	¥ 581.3
Net cash used in investing activities	(1,354.0)	(1,334.3)	(457.7)
Net cash provided by (used in) financing activities	98.4	47.5	(3.0)
Effect of exchange rate changes on cash and cash equivalents	1.5	3.2	2.1
Net increase (decrease) in cash and cash equivalents	28.1	(145.0)	122.7
Cash and cash equivalents at the beginning of the year	573.2	601.3	456.2
Cash and cash equivalents at the end of the year	¥ 601.3	¥ 456.2	¥ 579.0

Life insurance companies generally produce a positive cash flow from operations, as measured by the amount by which cash inflows are adequate to meet obligations to policyholders and normal operating expenses as they are incurred. The remaining cash flow is generally used to increase the asset base to provide funds to meet future benefits and other product-related payments and for writing and acquiring new business.

Cash provided by operating activities is roughly equal to the sum of insurance premiums and other, interest, dividends and other income and other ordinary income, less benefits and other payments and operating expenses. We recorded positive cash flows in operating activities in the years ended March 31, 2013, 2014 and 2015. For the year ended March 31, 2015, net cash provided by operating activities decreased by ¥557.1 billion over the previous year, primarily due to a decrease in cash provided by insurance premiums and other and an increase in cash used in benefits and other payments. For the year ended March 31, 2014, net cash provided by operating activities decreased by ¥143.8 billion over the previous year, primarily due to decreases in cash provided by insurance premiums and other and other ordinary income.

Life insurance companies generally produce a negative cash flow from investing activities, because life insurance companies allocate surplus cash generated from operating activities for use in investing activities. For the year ended March 31, 2015, net cash used in investing activities decreased by ¥876.6 billion over the previous year primarily due to a decrease in payments for purchases of securities of ¥2,699.8 billion, partially offset by a decrease in proceeds from sales and redemption of securities of ¥1,669.8 billion, each compared to the year ended March 31, 2014. For the year ended March 31, 2014, net cash used in investing activities decreased by ¥19.7 billion over the previous year primarily due to a decrease in payments for purchases of securities of ¥965.7 billion and a decrease in payments for extending loans in the amount of ¥390.2 billion, each compared to the year ended March 31, 2013. These decreases almost entirely outweighed a decrease in payables under securities borrowing transactions in the amount of ¥302.3 billion in the year ended March 31, 2014, as compared to an increase in payables under securities borrowing transactions in the amount of ¥575.7 billion in the year ended March 31, 2013, and a decrease in proceeds from sales and redemptions of securities in the amount of ¥410.0 billion in the year ended March 31, 2014 compared to the year ended March 31, 2013.

For the year ended March 31, 2015, net cash used in financing activities increased by ¥50.5 billion over the previous year, primarily due to an increase in redemption of foundation funds. For the year ended March 31, 2014, net cash provided by financing activities decreased by ¥50.9 billion over the previous year, primarily due to a decrease in proceeds from issuance of foundation funds.

Liquidity and Liquidity Management

Our principal cash requirements consist of benefits and other product-related payments, payments in connection with new investments, income and other taxes, operating expenses, payment of policyholder dividends, policy surrender payments and policy loans.

Our principal sources of cash include life insurance and annuity premiums, investment income and proceeds from the sale or maturity of investments. Our portfolio of liquid assets constitutes an additional source of cash to meet unexpected cash outflows. These liquid assets include cash and deposits, publicly traded stocks and bonds categorized as marketable available-for-sale securities.

We seek, to the extent possible, to manage the maturity and liquidity mix of our investments to match the projected payment requirements of our products. Accordingly, we classify our investments by level of liquidity. Domestic bonds form the largest portion of our general account investment portfolio. Of the balance of domestic bonds held by us, as of June 30, 2015, approximately 42.5% was categorized as policy-reserve-matching bonds, which are carried at amortized cost on our balance sheet and are not marked-to-market. For companies using fund segment accounting, Japanese GAAP requires the recategorization of policy-reserve-matching bonds in a particular fund segment as available-for-sale securities carried at fair market value upon the sale prior to maturity of any such bond categorized as a policy-reserve-matching bond.

Although the amount of policy surrenders is generally a liquidity concern to insurance companies, our business, aside from group annuities, consists mainly of individual and group life insurance, the consumers of which tend to be less sensitive to changes in interest rates. In addition, the terms of our insurance and annuity products generally limit the payment of cash surrender values in the case of policy surrenders early in the policy term and for policies with short policy terms. Even when cash surrender values are paid out, they involve substantial policy surrender penalties. In addition, a substantial portion of our assets consists of high-liquidity assets such as JGBs and cash and deposits. Based on the foregoing, we believe that we are well positioned from a liquidity standpoint.

We maintain overdraft agreements with major domestic banks. We do not currently expect to use such sources of cash in the near term. In addition, we continually enter into bond repurchase agreements to obtain daily funds settlements.

Our management believes that our sources of cash are adequate to meet our current cash requirements.

Capital Resources

We, like other mutual life insurance companies, draw on a broad range of resources for capital. Such resources include the capital and surplus on the balance sheet, including foundation funds, as well as other items such as certain reserves and subordinated debt. Furthermore, unrealized gains on assets also function as a source of capital for mutual life insurance companies.

Foundation funds (*kikin*) *and reserve for redemption of foundation funds* (*kikin-shokyaku-tsumitate-kin*). The Insurance Business Act allows mutual companies in Japan to procure funds by offering foundation funds (*kikin*). Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as an interest payment, maturity date and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*), which serves as surplus, equal to the amount redeemed. As a result, the full amount of foundation funds remains in equity even after redemption. Foundation funds are therefore positioned as a mutual company's main capital, which is equivalent to the stated capital of a joint-stock company.

In recent years, we raised capital through foundation funds on several occasions:

- ¥50.0 billion in 2011, scheduled to mature in 2016;
- ¥100.0 billion in 2012, scheduled to mature in 2017;
- ¥50.0 billion in 2013, scheduled to mature in 2018; and
- ¥60.0 billion in 2014, scheduled to mature in 2019.

As a result of the above, as of June 30, 2015, the balance of our foundation funds was ¥260.0 billion and the amount of reserve for redemption of foundation funds was ¥470.0 billion.

Reserves. Certain items carried as liabilities on our balance sheet function as additional sources of capital under the Insurance Business Act. Our contingency reserve provides a buffer against losses that arise from unexpectedly high claims due to unforeseen catastrophes or from poor market performance. Our reserve for price fluctuation provides a cushion for unexpected declines, mainly in stock market values. Both the contingency reserve and the reserve for price fluctuation contribute to our solvency margin.

Subordinated debt. Subordinated debt (*fusaisei shihon*) provides another buffer against unexpected shocks. In March 1999, we borrowed a total of ¥100.0 billion in the form of subordinated loans extended concurrently from three Japanese financial institutions. The basic terms of the existing subordinated loans are described below.

- *Interest Rate.*
  - Subordinated loan A. (i) From April 1, 2001 to April 30, 2016, the six-month yen LIBOR rate plus 1.17% and (ii) from May 1, 2016 to the final maturity date of April 30, 2021, the six-month yen LIBOR rate plus 1.82%.
  - Subordinated loan B. (i) From April 20, 2004 to April 19, 2016, the six-month yen LIBOR rate plus 1.22% and (ii) from April 20, 2016 to the final maturity date of April 19, 2021, the six-month yen LIBOR rate plus 1.87%.
  - Subordinated loan C. (i) From September 1, 2001 to April 30, 2016, the six-month yen LIBOR rate plus 1.185% and (ii) from May 1, 2016 to the final maturity date of April 30, 2021, the six-month yen LIBOR rate plus 1.835%.
- *Interest Deferral.* We are required to defer payment of all of the interest accrued on the subordinated loans if, as of the relevant interest payment date, (i) we do not have any surplus on our balance sheet approved at the most recent meeting of representative policyholders or (ii) we fail to meet the solvency margin ratio or capital adequacy required to be maintained under the Insurance Business Act and related regulations, or would fail to meet such requirement as a result our payment of the interest accrued on the subordinated loans, which could trigger the issuance of an order of prompt corrective action (*souki zesei sochi*) by the Commissioner of the FSA. The subordinated loans do not include optional interest deferral terms.
- *Repayment.* The subordinated loans must be repaid in full in April 2021. In addition, in April 2016, we may at our option prepay the principal amounts of the subordinated loans so long as (i) we are able to maintain our ability to pay insurance claims following such prepayment or (ii) we raise an amount of capital equal to or exceeding the amount of such prepayment, in each case subject to the prior consent of the FSA.
- *Subordination.* If we become subject to bankruptcy proceedings, reorganization proceedings or any equivalent proceedings in accordance with laws other than Japanese law, the subordinated loans shall become subordinated in right of payment to all senior indebtedness.

The existing subordinated loans constitute Liquidation Parity Securities under the terms of the Notes. See "Description of the Notes—Status of the Notes; Subordination" for further details.

The following table sets forth the amounts of our non-consolidated capital, which for this purpose is comprised of foundation funds, reserve for redemption of foundation funds, contingency reserve, reserve for price fluctuation, fund for price fluctuation allowance, subordinated debt and others, as of the dates indicated:

	As of March 31,			As of June 30,
	2013	2014	2015	2015
	(Billions of yen)			
Foundation funds	¥ 210.0	¥ 260.0	¥ 260.0	¥ 260.0
Reserve for redemption of foundation funds	410.0	410.0	470.0	470.0
Contingency reserve	525.5	660.4	667.3	669.0
Reserve for price fluctuation	363.5	480.8	492.4	496.3
Fund for price fluctuation allowance	29.7	29.7	29.7	29.7
Subordinated debt	100.0	100.0	100.0	100.0
Others	184.9	264.4	277.4	294.1
Capital	¥ 1,823.8	¥ 2,205.4	¥ 2,297.0	¥ 2,319.2

Other Capital Resources

Net unrealized gains on available-for-sale securities. Net unrealized gains on available-for-sale securities also function in certain respects as a capital resource. For the years ended March 31, 2013, 2014 and 2015 and the three months ended June 30, 2015, our net unrealized gains on available-for-sale securities totaled ¥1,641.0 billion, ¥1,739.7 billion, ¥2,838.5 billion and ¥2,968.3 billion, respectively. The increase in net unrealized gains on available-for-sale securities was due to a rise in stock prices in available-for-sale securities and decreased interest rates during such periods.

Off-Balance Sheet Arrangements

Other than as described in this offering circular, we have no material off-balance sheet arrangements.

Policy Reserves

Pursuant to requirements under the Insurance Business Act, we maintain policy reserves for the fulfillment of future obligations under life insurance contracts. The policy reserves are intended to allocate a portion of the insurance premiums received during a particular accounting period to one or more succeeding accounting periods to the extent such portion relates to insurance coverage for such succeeding accounting periods, and thereby to enable the insurance company to record related profits effectively on an accrual basis. The minimum amount to be set aside as policy reserves is determined based on actuarial calculations performed in accordance with applicable regulations. Although calculation methods producing reduced levels of reserves are permitted for financially unsound or newly established companies, we use the net level premium method of calculation. This method assumes a constant amount of net premiums over the term of the relevant policy in calculating the amount of standard policy reserve required to fund all future policy benefits. The net level premium reserve is calculated using the respective standard prospective yields established by the FSA for single premium individual whole life insurance, single premium individual annuities and all other insurance products, and a mortality rate set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. The standard prospective yields for single premium endowment insurance and single premium individual annuities were revised downward from 1.0% to 0.5% for products sold starting in April 2015, and the standard prospective yield for single premium individual whole life insurance was revised downward from 1.0% to 0.75% for products sold starting in July 2015. The standard prospective yield for other insurance products has remained unchanged at 1.0% for products sold since April 2013. The net premium level method does not allow policy acquisition costs, which are higher in the first year of the policy, to be offset against the amount of provision for policy reserves required. An alternative calculation method known as “Zillmer’s method” produces reduced levels of reserves in the first year of the policy by allowing policy acquisition costs to be offset against the amount of provision for policy reserves required. This method is often used by financially unsound or newly established companies. When insurance claims arise, we record the full amount of such claims paid as benefits and claims expense. When the policy ends, the related decrease in provision for policy reserves is allocated to offset payment of benefits.

In addition to policy reserve amounts related to expected future benefits and other payments, a contingency reserve is included in the policy reserves to account for the risk of insurance payment events occurring at a higher than expected rate and the risk of actual yield on our investments being lower than the assumed yield related to outstanding policies. See “Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation.”

The following is a breakdown of our policy reserves by product line and contingency reserve on a non-consolidated basis for the dates shown:

	As of March 31,		
	2013	2014	2015
	(Billions of yen)		
General account:			
Individual insurance	¥ 12,814.3	¥ 13,670.5	¥ 14,560.8
Individual annuities	7,035.1	7,113.4	6,991.1
Group insurance	155.5	152.8	149.0
Group annuities	6,301.3	6,579.9	6,739.6
Other	229.8	225.2	222.4
Separate account:			
Individual insurance	69.5	71.5	76.8
Individual annuities	299.4	346.2	363.2
Group insurance	–	–	–
Group annuities	381.9	390.5	394.0
Other	–	–	–
Contingency reserve	525.5	660.4	667.3
Total	¥ 27,812.6	¥ 29,210.8	¥ 30,164.6

Solvency Margin Ratio

The solvency margin ratio was introduced by the Japanese government as a means of measuring the financial soundness of insurance companies to provide for better policyholder protection under a system of prompt corrective action. The solvency margin ratio is a measure of capital adequacy calculated by dividing the solvency margin amount (defined as net assets, less certain items, plus certain reserves, unrealized gains on assets and certain other items, discussed below) by a quantified measure of the total risk borne by the company, which is calculated as “risk exceeding ordinary forecast” based on Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and the Ministry of Finance Public Notice No. 50, as amended issued in 1996.

As an indicator of an insurance company’s ability to pay claims in the event of risk exceeding ordinary forecasts, in the event that the solvency margin ratio falls below a fixed level, the regulatory authorities may require the insurance company to submit a plan for management reform. According to the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, insurance companies with solvency margin ratios of 200% or higher are considered sound and not requiring early-stage corrective measures. If the ratio falls below 200%, the Commissioner of the FSA may order the insurer to submit and implement a plan for business improvement. If it falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including an order to implement a suspension or deduction of shareholder or policyholder dividend payments and director bonuses. If it falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or parts of its operations for a certain period specified by the Commissioner of the FSA. As of June 30, 2015, our solvency margin ratio on a non-consolidated basis was 1,024.7%. See “Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Financial Regulation.”

The manner of calculation of the solvency margin ratios has been revised several times. For example, it was revised on March 31, 2012, to help ensure that the solvency margin ratios represent more appropriately the ability of insurance companies in Japan to make required payments upon the occurrence of unforeseeable events, by introducing new restrictions on the inclusion of certain items in the amount of solvency margin and risk assessment requirements.

The March 2012 amendments, among other things:

- introduced restrictions on the inclusion of certain items in the amount of solvency margin, such as the surplus portion of insurance premium reserves and unearned premiums and deferred tax assets related to net loss carried forward. With regard to subordinated debt, the total amount of subordinated debt and surplus portion of insurance premium reserves and unearned premiums to be included in the solvency margin were limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), a new concept under the revised solvency margin regulations, generally calculated by summing net assets, reserve for price fluctuation, contingency reserve and unallotted portion of policyholders' dividend reserves, and making certain deductions (including loss on valuation of available-for-sale securities) and other adjustments. However, this limitation is not applied in the case of certain perpetual subordinated debt ("specified subordinated debt," or *tokutei fusaisei shihon*) that satisfies not only certain requirements for subordinated debt under the previous regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the revised regulations (such as stricter restrictions on coupon step-up and requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);

- tightened risk assessments, by such means as raising the confidence level of the coefficient of each risk from 90% to 95%, renewing statistical data to be used as the basis of the coefficient of each risk and introducing a calculation of the investment diversification effect related to price change risk based on each company's portfolio (prior to revision, a uniform ratio of 30% is applied to life insurance companies); and
- require an actuary to confirm the appropriateness of solvency margin ratio calculations.

We were required to use the revised calculation standards from the year ended March 31, 2012. In addition, starting from March 31, 2012, the FSA required insurance companies to calculate their solvency margin ratios on a consolidated basis as well as on a non-consolidated basis.

The following table sets forth our solvency margin ratio on a non-consolidated basis, and information related to its calculation, as of March 31, 2014 and 2015 and June 30, 2015:

	As of March 31,		As of June 30,
	2014	2015	2015
	(Billions of yen, except percentages)		
Foundation funds and others[1]	¥ 951.0	¥1,029.9	¥1,039.6
Reserve for price fluctuation	480.8	492.4	496.3
Contingency reserve	660.4	667.3	669.0
General allowance for possible loan losses	4.5	1.6	1.7
Net unrealized gains on available-for-sale securities[2]	2,258.1	3,582.0	3,745.7
Net unrealized gains on real estate[3]	228.1	246.9	246.9
Excess of continued Zillmerized reserve	771.8	990.4	992.1
Qualifying subordinated debt	100.0	100.0	100.0
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	–	–	–
Deduction clause	–	–	–
Others	74.2	79.7	78.9
Solvency margin gross amount (A)	¥5,529.2	¥7,190.6	¥7,370.6
Insurance risk (R1)	120.8	118.9	118.3
Third-sector insurance risk (R8)	52.2	53.5	54.0
Assumed yield risk (R2)	157.5	154.1	153.3
Minimum guarantee risk (R7)	9.2	9.7	10.1
Investment risk (R3)	963.4	1,176.2	1,232.9
Business management risk (R4)	26.0	30.2	31.3
Total amount of risk (B)[4]	¥1,169.5	¥ 1,381.4	¥1,438.4
Solvency margin ratio[5]	945.5%	1,041.0%	1,024.7%

Notes:

(1) The amount after excluding estimated distributed income (payment of interest on foundation funds and provision for policyholders' dividend reserves) from the appropriation of surplus plus total valuations, conversions and others included under total net assets on the balance sheets.

(2) Multiplied by 90% if gains or 100% if losses.

(3) Multiplied by 85% if gains or 100% if losses.

(4) Total amount of risk = $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$

(5) Solvency margin ratio = $\frac{(A)x100}{(B)x(1/2)}$

As set forth in the above table, our non-consolidated solvency margin ratio increased to 1,041.0% as of March 31, 2015 from 945.5% as of March 31, 2014, primarily due to an increase in net unrealized gains on available-for-sale securities. Our non-consolidated solvency margin ratio decreased slightly to 1,024.7% as of June 30, 2015 resulting mainly from an increase in investment risk due to changes in market conditions.

The following table sets forth our solvency margin ratio on a consolidated basis, and information related to its calculation, as of March 31, 2014 and 2015 and June 30, 2015:

	As of March 31,		As of June 30,
	2014	2015	2015
	(Billions of yen, except percentages)		
Foundation funds or capital(1)	¥ 946.1	¥ 1,024.6	¥ 1,030.1
Reserve for price fluctuation	481.2	492.9	496.7
Contingency reserve	660.4	667.3	669.1
Extraordinary contingency reserve	8.1	8.6	8.7
General allowance for possible loan losses	4.5	1.6	1.7
Net unrealized gains on available-for-sale securities(2)	2,260.0	3,585.9	3,749.7
Net unrealized gains on real estate(3)	232.2	252.2	251.9
Net unrealized actuarial differences and past service expenses	(95.2)	(31.8)	(23.3)
Excess of continued Zillmerized reserve	771.8	990.4	992.1
Qualifying subordinated debt	100.0	100.0	100.0
Excess of continued Zillmerized reserve and qualifying subordinated debt not included in margin calculation	–	–	–
Deduction clause	(155.7)	(169.6)	(166.0)
Others	74.6	80.1	79.4
Solvency margin gross amount (A)	¥ 5,288.4	¥ 7,002.4	¥ 7,190.5
Insurance risk (R1)	121.4	119.6	119.1
General insurance risk (R5)	1.6	1.7	1.7
Large disaster risk (R6)	0.4	0.5	0.5
Third-sector insurance risk (R8)	52.5	53.9	54.4
Insurance risk of small-amount, short-term insurer (R9)	–	–	–
Assumed yield risk (R2)	157.6	154.1	153.3
Minimum guarantee risk (R7)	9.2	9.7	10.1
Investment risk (R3)	893.4	1,105.5	1,161.6
Business management risk (R4)	24.7	28.9	30.0
Total amount of risk (B)(4)	¥ 1,099.5	¥ 1,310.7	¥ 1,367.1
Solvency margin ratio(5)	961.9%	1,068.4%	1,051.9%

Notes:

(1) The amount after excluding estimated distributed income (payment of interest on foundation funds and provision for policyholders' dividend reserves) from the appropriation of surplus plus total valuations, conversions and others included under total net assets on the balance sheets.

(2) Multiplied by 90% if gains or 100% if losses.

(3) Multiplied by 85% if gains or 100% if losses.

(4) Total amount of risk = $\sqrt{(\sqrt{R_1^2 + R_5^2} + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$

(5) Solvency margin ratio = $\frac{(A)x100}{(B)x(1/2)}$

As set forth in the above table, our consolidated solvency margin ratio increased to 1,068.4% as of March 31, 2015 from 961.9% as of March 31, 2014, primarily due to an increase in net unrealized gains on available-for-sale securities. Our consolidated solvency margin ratio decreased slightly to 1,051.9% as of June 30, 2015 resulting mainly from an increase in domestic stock prices.

Real Net Assets

The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuation and contingency reserve) in accordance with the method promulgated by the FSA and the Ministry of Finance. The FSA examines real net assets to determine whether a company is functionally insolvent for the purpose of taking prompt corrective actions.

For example, even if an insurance company's solvency margin ratio falls below 0%, if real net assets is a positive amount or expected to be a positive amount, the Commissioner of the FSA may order a suspension of shareholder or policyholder dividend payments and director bonuses or such other measures as may be taken for a company with a ratio from 0% to less than 100% rather than suspend the operations of the company. Similarly, even if the solvency margin ratio is above 0%, if the amount of real net assets is a negative amount or expected to be a negative amount, the Commissioner may suspend the operations of the company.

As of March 31, 2013, 2014 and 2015 and June 30, 2015, our real net assets totaled ¥5,940.5 billion, ¥6,438.0 billion, ¥8,899.3 billion and ¥8,826.6 billion, respectively.

Financial Strength Ratings

Our financial strength ratings reflect each ratings agency's opinion of our financial strength, operating performance and ability to meet our obligations to policyholders, and are not evaluations directed toward the protection of holders of the Notes. Financial strength ratings do not in any way reflect evaluations of the safety and security of the Notes and are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning ratings agency. Each of these financial strength ratings should be evaluated independently. Our current financial strength ratings are as follows:

Ratings Agency	Rating	Rating Structure
Rating and Investment Information, Inc.	AA-	Second highest of nine rating categories and third highest within the category based on modifiers (*e.g.*, AA+, AA and AA- are within the same category)
Japan Credit Rating Agency, Ltd.	A+	Third highest of eleven rating categories and highest within the category based on modifiers (*e.g.*, A+, A and A- are within the same category)
Moody's Investors Service	A1	Third highest of nine rating categories and highest within the category based on modifiers (*e.g.*, A1, A2 and A3 are within the same category)
Standard & Poor's	A	Third highest of eight rating categories and second highest within the category based on modifiers (*e.g.*, A+, A and A- within the same category)

Status of Problem Loans, Reserves and Coverage

Our balance of problem loans (*i.e.*, loans to bankrupt borrowers, delinquent loans, loans that are delinquent for over three months and restructured loans, each as defined under the Ordinance for Enforcement of the Insurance Business Act) was ¥21.8 billion, ¥21.0 billion and ¥19.7 billion as of March 31, 2013, 2014 and 2015, respectively. Our ratios of problem loans to all loans were 0.42%, 0.41% and 0.39% as of March 31, 2013, 2014 and 2015, respectively. See "Business—Investments—Loans."

Risk Management

Overview

To ensure sound management and maintain the confidence of customers, we believe that it is increasingly important to identify and manage risks. Consequently, risk management is a high priority.

In our risk management activities, we identify areas of risk to which our business is susceptible and create risk monitoring systems, guidelines and rules and take other steps to address risk. We comprehensively manage these risks in terms of overall impact on operations.

The Risk Management Control Department is responsible for our overall risk management and monitors and supervises each of the individual departments in charge of risk control. In order to regularly monitor and appropriately control the various risks we face in our business, we have also established the Risk Management Committee, which reports to the Management Council and, together with the Risk Management Control Department, works to strengthen and refine our risk management practices. We have also formed independent risk management units to provide cross-checking functions. The Internal Audit Department conducts audits and the Audit Committee and our external auditors conduct inspections on the effectiveness of our risk management as a double-checking function.

Asset Liability Management (ALM)

Our ALM Sub-committee is responsible for overseeing our ALM practices. ALM is a mechanism employed by us to manage our investment assets in a manner appropriate to our liabilities, primarily insurance contracts. In particular, we employ a form of ALM called surplus management that focuses on "surplus," which for this purpose is defined as the difference between (i) the fair market value of assets (including unrealized gains and losses) and (ii) the economic value of liabilities (calculated as the present value of the cash flow of liabilities discounted at market interest rates). This surplus amount, which includes the value of unrealized profits attributable to our policies in force, represents an important indicator of our financial soundness. Under this surplus management-type ALM, we closely monitor fluctuations in our surplus and take appropriate measures to manage such fluctuations, including increasing the duration of assets, reducing interest rate risk related to our insurance liabilities through hedging transactions and reducing the amount of assets with price fluctuation risk such as stocks.

To supply stable long-term yields promised to policyholders, we have positioned public and corporate bonds and loans that we expect to provide stable yen-denominated revenue as our primary assets. Due to the risk profile of our long-term liabilities, we have undertaken a strategy of investing in long-term bonds that satisfy our interest rate targets. Furthermore, within permissible levels of risk, we invest in domestic and some foreign securities with a view to improving profitability.

Insurance Underwriting Risk Management

Insurance underwriting risk is the risk that assumptions in establishing insurance premiums, including with respect to the economy, the rate of occurrence of covered claims, results of investments and administrative expenses, may differ from actual results. Insurance underwriting risk can give rise to losses when factors such as economic conditions, the incidence rate of insured events, asset management results and operational expenses do not correspond with the assumptions made when premiums were set.

Life insurance companies are generally required to bear the risks that they underwrite for a long period of time, which requires an estimation of the future risks that may occur as well as proper risk management. This requires the setting of reasonable premium rates that enable stable payment of insurance claims and an appropriate level of risk control for upholding coverage responsibilities based on examination and assessment of the health condition of the insured at the time of insurance underwriting. In addition, we employ our surplus management-type ALM system, conduct appropriate benefit settlement assessments and adhere to rigorous cost management principles with the aim of responding flexibly to changes in the business environment and other conditions. In addition, we seek to avoid paying improper claims by being selective in the policies we choose to underwrite and conducting appropriate payment assessment. We also conduct strict cost control by implementing appropriate and effective budgets.

Risks related to pricing. We set insurance premiums at a rate that reflects adequate consideration of our ability to pay out on claims in the future. To do so, our Underwriting Risk Management Sub-committee confirms that experience assumptions have been set properly taking into account the reliability of the underlying experience data and conducts simulations to determine whether we will be able to meet future coverage obligations at various premium levels.

We set assumed mortality and morbidity rates at levels that we believe to be appropriate based on insurance company data and research results. We regularly assess actual mortality and morbidity rates and revise sales terms, appraisal standards for insurance underwriting and assumed mortality and morbidity rates.

Assumed interest rates are set based upon market trends and regular assessment of investment results and trends in preferences for savings-type products. For example, assumed interest rates for interest-sensitive products, such as savings-type products and group pension plans, may be changed to avoid negative spread in the event of a sudden increase in sales of savings-type products when interest rates fall significantly.

Liquidity Risk Management

Liquidity risk can be categorized into cash flow risk and market liquidity risk.

Cash flow risk. Cash flow risk is the risk that we may not have ready access to a sufficient amount of cash to meet our needs at any given time. A cash flow problem may arise because of a decline in insurance premiums, an increase in surrenders or withdrawals, or an outflow of cash because of a major event or catastrophe. In such cases, we may suffer losses from disposing of assets at discounted prices in order to secure cash in a timely manner. We manage cash flow risk by maintaining an amount of high-liquidity assets above levels set forth in the asset management plan and daily cash flow. Furthermore, our ALM Sub-committee is kept informed of our cash flow condition and each of the departments in charge of risk control establishes an appropriate system to deal with a potential liquidity crisis by specifying countermeasures to be taken based on the seriousness of the crisis.

Market liquidity risk. Market liquidity risk is the risk that we will suffer investment losses from being unable to trade in the market or being compelled to trade at unfavorable prices because of a volatile or disrupted market. We manage market liquidity risk by establishing limits on market transaction amounts during times of relative illiquidity in the markets and revising such limits to reflect changes in market conditions.

Investment Risk Management

Overview. Asset investment risk is composed of market risk (including interest rate, stock price and foreign exchange rate fluctuation risk), credit risk and real estate investment risk and generally refers to the risk of losses incurred as a result of fluctuations in the market value of assets and liabilities. We have established an Investment Risk Management Sub-committee to manage investment risk comprehensively, in order to pursue stable returns while keeping losses within an acceptable range.

Market risk. We measure, manage and monitor the market risk associated with our investments on a continuous basis. Market risk generally is the risk of loss resulting from changes in interest rates, stock prices and foreign exchange rates. Our general account assets, which constituted 97.5% of our total assets as of June 30, 2015, are subject to market risk based on our investment activities.

Separate account assets, which are assets related to our individual variable insurance, individual variable annuities and a portion of group variable annuities, form the remainder of our total assets. The policyholders of these products bear the market risk related to separate account asset investment.

We have established and implemented comprehensive policies and procedures to manage the effects of potential market volatility. Specifically, we calculate our exposure to losses that may occur within one year using the value-at-risk method of statistical analysis. By utilizing the value-at-risk method, we calculate market risk in numerical terms to facilitate a more thorough approach to management of market risk.

Credit risk. Credit risk refers to the risk of incurring losses when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended. We believe that it is important to examine each transaction rigorously from a credit risk perspective so as to set terms appropriate to the level of risk involved. For a description of our loans, see "Business—Investments—Loans."

We maintain guidelines to ensure that our returns are commensurate with the risks we undertake. We manage credit risk by assessing the credit risk of and assigning an internal credit rating to each of our borrowers based on in-house fundamental analysis and credit ratings assigned by ratings agencies and by monitoring the internal ratings of such borrowers. We monitor the mix of our loan portfolio by categorizing and diversifying our loans by borrower credit rating group and industry in order to manage our risk of credit concentration. Internal credit ratings of obligors are received annually. In addition, we perform "Monte Carlo" simulations to evaluate credit risk using the value-at-risk method.

Real estate investment risk. Real estate investment risk refers to the risk that our real estate-related income may decrease because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces. See "Business—Investments—Real Estate."

We select our real estate investments by evaluating the appropriateness of the purchase price or expected return for each property and diversify our real estate portfolio in terms of both geography and usage. In addition, we periodically renew our investment returns and profit forecasts relating to our existing real estate investments, and focus on managing properties with less profitability. We quantify the risk of our real estate portfolio using the value-at-risk method and control such risk by comparing the amount of value-at-risk with limits based on real estate investment risk.

Operational Risk Management

Operational risk is the risk of failure of our business operations due to human error. Operational risk includes the risk that our officers, employees (including sales representatives) and third-party sales agencies neglect or fail to perform their duties. Operational risk also includes employee misconduct, such as fraudulent activity, improper use, data leaks or disclosure of confidential information and failure to comply with laws or our compliance procedures. Our Operational Risk Management Sub-committee manages operational risk through oversight of various execution sections, branches and service centers and reports directly to senior management with respect to operational risk issues.

Because operational risks exist throughout our operations, we have developed administrative rules and provide training to mitigate and prevent administrative risk and to implement proper and effective administrative procedures.

System Risk Management

System risk is the risk that we may suffer harm to our operations, including the management of our policies, the investment of our assets and the maintenance of statistics, owing to risks related to our information technology systems. Such risks include breakdowns, natural disasters, human errors, destruction, theft and illegal use. A major failure in our information technology systems would disrupt, among other things, the servicing of customers at various branches and the investment of our assets and may have long-term consequences such as a loss of customer confidence which may result in policy surrenders.

To manage system risk, we have established a system risk management policy and an information security policy to protect our information technology assets from a variety of system risks. To protect our computer systems from catastrophes, we maintain our backup computer center in the Kansai area.

Reputational Risk Management

Reputational risk is the risk of incurring tangible or intangible losses as a result of damage to our credibility due to negative publicity, including those that are inaccurate or false. Our Risk Management Sub-Committee manages reputational risk through its oversight of the Corporate Communications Department, which is responsible for regularly monitoring the internet, newspapers and other media and receives reports from each of the individual employees in charge of risk control. Through these measures, we aim to identify information regarding our reputation in a timely and accurate manner. In the event the information we identify may adversely affect our business, we take appropriate counter measures in order to mitigate any resulting reputational risk, in accordance with our internal guidelines on reputational risk management.

Affiliated Company Risk Management

We engage in risk management on a group wide basis by causing each of our affiliated companies to establish risk management policies in accordance with our policies and procedures. In addition, we aim to establish appropriate risk management structures at each of our affiliated companies, including our foreign subsidiaries, by providing relevant training and support.

Derivative Instruments

We use derivative instruments, including foreign exchange forward contracts and options, interest rate swaps and currency swaps, for the following purposes:

- to hedge the fluctuations in the market value of our investments;
- to hedge foreign currency exposure primarily with respect to the principal of our investments;
- on a supplemental basis with our investments to cover the time before such investments can be incorporated into our asset portfolio or as a measure to address liquidity risk;
- to adjust the term or the type of interest (fixed or floating) related to investments in our asset portfolio;
- to hedge the credit risk related to investments in our asset portfolio or for diversification of credit risk; and
- to hedge the interest rate risk related to our insurance liabilities.

Our use of derivative instruments is primarily to hedge the risk associated with our existing asset portfolio, which consists mainly of foreign exchange risk.

We reflect unrealized gains and losses related to derivative transactions that are not eligible for hedge accounting in ordinary income and ordinary expenses. The following table sets forth the unrealized gains and losses related to derivative transactions in our general account including both those eligible and not eligible for hedge accounting:

	As of March 31,		
	2013	2014	2015
	(Billions of yen)		
Interest-rate transactions	¥ 16.7	¥ 12.4	¥ 32.8
Currency rate-related transactions	(107.7)	(43.5)	(75.7)
Stock-related transactions	–	–	–
Bond-related transactions	–	–	–
Other	–	–	–
Total	¥ (91.0)	¥ (31.0)	¥ (42.8)

The following tables set forth the amounts of contract value, fair value and differences between contract value and fair value on currency forward contracts in our general account entered into as of the dates indicated:

	As of March 31, 2013		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
Australian dollars	¥ 0.2	¥ 0.0	¥ 0.0
Total	¥ 0.2	¥ 0.0	¥ 0.0
Purchased:			
U.S. dollars	¥ –	¥ –	¥ –
Total	¥ –	¥ –	¥ –

	As of March 31, 2014		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
Australian dollars	¥ 0.3	¥ (0.0)	¥ (0.0)
Total	¥ 0.3	¥ (0.0)	¥ (0.0)
Purchased:			
U.S. dollars	¥ –	¥ –	¥ –
Total	¥ –	¥ –	¥ –

	As of March 31, 2015		
	Contract amount	Market value	Net gains (losses)
	(Billions of yen)		
Foreign exchange forward contracts			
Sold:			
Australian dollars	¥ 0.3	¥ 0.0	¥ 0.0
Total	¥ 0.3	¥ 0.0	¥ 0.0
Purchased:			
U.S. dollars	¥ 0.0	¥ 0.0	¥ 0.0
Total	¥ 0.0	¥ 0.0	¥ 0.0

Proposed Acquisition of StanCorp

General

On July 23, 2015, we entered into a merger agreement with our wholly owned acquisition subsidiary, MYL Investments (Delaware) Inc. ("MYL Investments"), and StanCorp for the proposed acquisition of StanCorp. The merger agreement provides for the merger of MYL Investments with and into StanCorp in exchange for cash consideration of $115.00 per share of StanCorp's common stock, or approximately $5.0 billion in the aggregate. We intend to fund the proposed acquisition through cash and cash equivalents on hand, and accordingly the proposed acquisition is not subject to any financing condition. StanCorp will remain as the surviving entity following the completion of the merger as our wholly owned subsidiary.

As described further below, the proposed acquisition is subject to certain customary closing conditions, including the approval of the holders of a majority of the outstanding shares of StanCorp's common stock at a special shareholder meeting expected to be held on November 9, 2015, and the approvals of certain U.S. and Japanese insurance regulatory authorities. On September 16, 2015, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, was terminated, thus satisfying one of the closing conditions. Subject to the satisfaction of all other closing conditions, we currently expect the transaction to close during the first quarter of 2016. Subject to certain limitations, either party may terminate the merger agreement if the proposed acquisition is not consummated by April 25, 2016, subject to extension by either party until July 25, 2016 in the event of a delay in obtaining regulatory approval.

Overview of StanCorp

StanCorp, headquartered in Portland, Oregon, is a medium-sized life insurance holding company that is publicly listed on the New York Stock Exchange and was ranked 59th in the United States in terms of life/health gross premiums written for the fiscal year ended December 31, 2014 according to A.M. Best Company, Inc. ("A.M. Best"). It conducts business through wholly owned operating subsidiaries throughout the United States, including its largest subsidiary, Standard Insurance Company, which was founded in 1906, and all references to StanCorp's operations refer to operations through its subsidiaries. As of June 30, 2015, it had approximately 2,700 employees and 6.1 million customers. Through its subsidiaries, StanCorp has the authority to underwrite insurance products in all 50 U.S. states as well as the District of Columbia and the U.S. territories of Guam, Puerto Rico and the Virgin Islands.

In particular, StanCorp is a leading provider of group life and disability insurance in the United States. According to the annual industry reports published by General Re Corporation, for the fiscal year ended December 31, 2013 based on in-force premiums, StanCorp held the following leading market positions in the United States life insurance market:

- fifth largest provider of group long term disability insurance;
- fifth largest provider of group short term disability insurance; and
- eighth largest provider of group life insurance.

StanCorp operates in two segments, "Insurance Services" and "Asset Management." The Insurance Services segment, which contains two reportable product segments, "Employee Benefits" and "Individual Disability," offers group disability insurance, group life and AD&D insurance, group dental and group vision insurance, and absence management services. The Asset Management segment provides investment and asset management products and services and offers full-service 401(k) plans, 403(b) plans, 457 plans, defined benefit plans, money purchase pension plans, profit sharing plans and non-qualified deferred compensation products and services, as well as investment advisory and management services, origination and servicing of fixed-rate commercial mortgage loans, individual fixed and indexed annuity products, group annuity contracts and retirement plan trust products.

Based on StanCorp's strong relationships with brokers, its main distribution channel, StanCorp has developed stable business relationships and a customer base in the state and local public sectors, the education sector and small to medium-size enterprises that we believe are relatively less sensitive to economic volatility. In addition, StanCorp has maintained disciplined underwriting and risk management and created a robust business model that has ensured continuing strong performance in terms of growth, profitability and financial strength. StanCorp's issuer credit ratings as of July 2015, as provided by Standard & Poor's and A.M. Best were BBB+

(Stable) and bbb (Stable), respectively. Standard Insurance Company's financial strength ratings as of June 2015, as provided by Standard & Poor's, Moody's Investors Service and A.M. Best were A+ (Strong), A2 (Good) and A (Excellent), respectively.

Led by J. Greg Ness, Chairman, President and Chief Executive Officer, StanCorp's experienced management team consists of a core group of individuals developed under StanCorp's own internal development programs. After the completion of the proposed acquisition, we expect that the existing management team will continue to operate StanCorp's business with support at the board and operational levels from our representatives to facilitate StanCorp's continued growth and the achievement of post-transaction strategies that we expect to develop and execute on a collaborative basis.

Strategic Rationale for the Proposed Acquisition

We believe that the proposed acquisition of StanCorp represents an important step in developing our overseas business and pursuing an attractive opportunity to gain a strong business foundation in the United States, which is the largest life insurance market in the world. We also believe that StanCorp's management team has a corporate philosophy consistent with our own values, given its strong commitment to lead the insurance industry and help people achieve financial well-being and peace of mind.

We currently engage and invest in the life and non-life insurance business internationally through overseas representative offices, subsidiaries and affiliates, as well as through business alliances and tie-ups in various markets around the world. Such markets include the United States, where we have had a presence since 1976 through our acquisition of a majority equity stake in PGL (which subsequently became our wholly owned subsidiary), as well as China, Indonesia, Thailand and Poland. Further expansion of our overseas insurance business has been one of our strategic priorities and an important component of the three-year Meiji Yasuda NEXT Challenge Program, which we launched in April 2014. See "Business—Strategies."

With the aim of securing further growth for our group as a whole, we intend to make StanCorp our key presence and partner in the U.S. life insurance market. Specifically, as a member of our group and under its current management team, StanCorp will continue to develop its customer-oriented business and seek to meet its corporate social responsibilities as a life insurer by catering to the needs of the middle-income demographic, which has high growth potential due to the large gap between current coverage and participation levels, and aim to achieve further growth and profitability. In addition, while operating StanCorp independently from our existing subsidiaries, we expect to share and leverage StanCorp's expertise in business management and group life insurance within our group, as well as promote employee exchange programs to develop global leadership.

More generally, our proposed acquisition of StanCorp will significantly expand the scope and quality of our offerings in overseas markets. We also expect that the contribution of our overseas insurance businesses to our consolidated premium income will increase significantly and will accelerate the diversification of our business portfolio, thus reinforcing the stability and sustainability of our business and earnings base in the future.

Certain Terms of the Merger Agreement

Conditions to the Proposed Acquisition

Completion of the proposed acquisition is subject to the satisfaction or waiver of various closing conditions, including, but not limited to:

- approval of the merger agreement by an affirmative vote of the holders of at least a majority of all outstanding shares of StanCorp's common stock at a special shareholder meeting expected to be held on November 9, 2015;
- receipt of requisite approval of the FSA of an application and notification filing by us; and
- receipt of certain U.S. insurance regulatory approvals.

Each party's obligation to consummate the proposed acquisition also is subject to certain additional conditions that include the accuracy of the other party's representations and warranties contained in the merger agreement (subject to certain materiality qualifiers), the other party's compliance with its covenants and agreements contained in the merger agreement in all material respects, and the absence of any law, temporary restraining order or permanent injunction or similar order that prohibits or makes illegal the consummation of the proposed acquisition.

Acquisition Proposals and Changes in Recommendation

During the period beginning on the date of the merger agreement and continuing until 12:01 a.m. on August 18, 2015 (such period, the "solicitation period," and such date, the "no-shop period start date"), StanCorp and its representatives were permitted to initiate, solicit and encourage alternative acquisition proposals from third parties, provide non-public information to such third parties and participate in discussions and negotiations with such third parties regarding alternative acquisition proposals. No other party proposed a possible alternative transaction during the solicitation period. Beginning on the no-shop period start date, StanCorp and its representatives became subject to customary "no shop" restrictions on its ability to initiate, solicit or encourage alternative acquisition proposals.

At any time prior to receipt of the shareholder approval, StanCorp may provide information to and negotiate with third parties who submit alternative acquisition proposals that the board of directors of StanCorp has determined in good faith, after consultation with outside counsel and its financial advisor, are (or could reasonably be expected to be) "superior proposals" (as defined below).

Prior to receipt of the shareholder approval, the board of directors of StanCorp may also change its recommendation upon the occurrence of a development or change in circumstances that occurs or arises after the execution of the merger agreement or that was not known and not reasonably foreseeable to the board of directors of StanCorp at the time of execution of the merger agreement (in each case, other than receipt of an alternative acquisition proposal or superior proposal), if the board of directors of StanCorp determines in good faith, after consultation with its outside counsel and financial advisor, that failure to do so would reasonably be expected to be inconsistent with its fiduciary duties to StanCorp's shareholders. In addition, prior to receipt of the shareholder approval, the board of directors of StanCorp may change its recommendation upon receipt of an alternative acquisition proposal that the board of directors of StanCorp has determined in good faith, after consultation with its outside counsel and financial advisor, is more favorable to StanCorp's shareholders than the proposed acquisition and the other transactions contemplated by the merger agreement (taking into account any adjustments to the merger agreement as described below) and is reasonably capable of being completed, in each case, after due consideration of all of the terms and conditions of such acquisition proposal (including all legal, financial, regulatory, timing and other aspects of the proposal) (such proposal, a "superior proposal").

Prior to effecting a change in recommendation or terminating the merger agreement in order to enter into a definitive agreement with respect to a superior proposal, the board of directors of StanCorp must provide us with advance written notice of its intention to do so, which specifies in reasonable detail the basis for the change in recommendation or termination and, in the case of a superior proposal, the identity of the party making such superior proposal and the material terms thereof. We have five business days after receipt of such notice (the "match period") to negotiate with StanCorp to make adjustments to the terms and conditions of the merger agreement as would permit the board of directors of StanCorp not to effect a change in recommendation. The board of directors of StanCorp may effect a change in recommendation only if we do not make a proposal (including any revisions to the terms of the merger agreement) within the match period that the board of directors of StanCorp determines in good faith, after consultation with its outside counsel and financial advisor, obviates the need to effect a change in recommendation or terminate the agreement. We are entitled to match any proposal (or subsequent proposal) received from a particular bidder; however, the match period for subsequent proposals is three business days after each receipt of notice of such subsequent proposal.

If the merger agreement is terminated by us because StanCorp's board of directors changes its recommendation, or StanCorp terminates the merger agreement to enter into a definitive agreement with respect to a superior proposal, the termination fee payable by StanCorp to us will be $180 million. A termination fee of $180 million is also payable by StanCorp to us if (a) the proposed acquisition has not been consummated by April 25, 2016, without the shareholder vote having occurred, or (b) the special meeting has concluded and the shareholder approval has not been obtained and, in either case, StanCorp has received an alternative acquisition proposal that has been publicly announced or has otherwise become publicly known, and within 12 months of such termination, StanCorp either consummates a transaction contemplated by an alternative acquisition proposal or enters into a definitive agreement to consummate a transaction contemplated by any alternative acquisition proposal (and StanCorp thereafter consummates such alternative acquisition proposal, whether or not within such 12-month period).

Litigation Related to the Proposed Acquisition

As of October 2, 2015, StanCorp, members of its board of directors, Meiji Yasuda Life and MYL Investments (Meiji Yasuda Life and MYL Investments being the "Meiji Yasuda parties") have been named as defendants in four lawsuits brought by purported shareholders of StanCorp on behalf of StanCorp's shareholders challenging the proposed acquisition.

Four putative class action lawsuits were filed in the Circuit Court of the State of Oregon for the County of Multnomah: *Shiva Stein, et al. v. StanCorp Financial Group, Inc., et al.*, Case No. 15CV20372, filed July 31, 2015, *Bud and Sue Frashier Family Trust, et al. v. J. Greg Ness, et al.*, Case No. 15CV20832, filed August 7, 2015, *Grant Causton, et al. v. StanCorp Financial Group, Inc., et al.*, Case No. 15CV22197, filed August 20, 2015, and *Janet Shock v. StanCorp Financial Group, Inc., et al.*, Case No. 15CV23748, filed September 8, 2015.

Prior to the filing of Ms. Shock's complaint on September 8, 2015, on August 18, 2015, StanCorp received a letter from her counsel, alleging that the board of directors of StanCorp breached its fiduciary duties in connection with the negotiation of the merger agreement and demanding that the board of directors of StanCorp take action to remedy those alleged breaches of fiduciary duties.

The complaints allege, among other things, that StanCorp's directors have violated their fiduciary duties to StanCorp's shareholders by entering into the merger agreement and have put their personal interests and the interests of the Meiji Yasuda parties ahead of the interests of StanCorp's shareholders, and by failing to provide StanCorp's shareholders with material information to make an informed vote on the approval of the merger agreement. The complaints also allege that StanCorp and the Meiji Yasuda parties knew of the StanCorp directors' alleged breaches of their fiduciary duties and aided and abetted in their commission.

Based on these allegations, the complaints seek certain injunctive relief, including enjoining the proposed acquisition, and, to the extent already implemented, rescission of the proposed acquisition. The complaints also seek other damages, including recovery of all damages suffered by the plaintiffs as a result of the individual defendants' alleged wrongdoing, including rescissory damages, and costs of the actions, including attorneys' fees.

Business

Except as otherwise specified, information contained in this "Business" section is presented on a non-consolidated basis.

Overview

We are one of the largest private life insurance companies in Japan. We operate primarily in Japan and offer a wide range of products, including individual and group life insurance and annuities and other insurance products, to over 6.5 million insured persons as of March 31, 2015.

Our core business is offering individual and group life insurance products in Japan. Our main product is "Best Style," a customizable comprehensive product we released in June 2014 that can be tailored to meet the changing needs of our customers throughout various life stages. We also sell various other individual and group life insurance and annuity products, and a range of third-sector insurance products, including medical insurance and nursing care insurance.

According to Sigma World Insurance in No. 4/2015, Japan is the second largest life insurance market in the world by premium volume. We held one of the largest market shares by premium income among private insurers for the year ended March 31, 2015 and aim to continue the growth that made us one of Japan's leading private life insurance companies.

Strengths and Strategies

We believe that our core competitive strengths and key strategies include the following:

- Strengths
    - Robust position in the attractive Japanese life insurance market.
    - Sound capital base, including industry leading solvency margin ratio.
    - Stable operations and profit supported by increasing quality of insurance products.
    - Effective management of investment portfolio through implementation of surplus management-type ALM.
- Strategies
    - Enrich our lineup of products and services, including in business areas with growing demand, such as medical and nursing care insurance products.
    - Provide engaging, face-to-face after-sales services to achieve competitive differentiation.
    - Actively promote and expand our overseas insurance business, including through the proposed acquisition of StanCorp, to secure greater opportunities for future profit in the global market.
    - Further enhance our financial foundation through the maintenance of adequate levels of capital and pursuit of sophisticated enterprise risk management.

Strengths

Robust position in the attractive Japanese life insurance market

The Japanese life insurance market is highly concentrated, with the top four life insurance companies accounting for more than half of the total market share, excluding Japan Post Insurance. In addition, as of December 31, 2014, it featured the second highest life insurance premiums per capita among the top five markets in the world, at $371,588 million, including Japan Post Insurance and insurance provided by Japan Agricultural Cooperatives, as compared to $235,321 million in the United Kingdom, $172,761 million in France, $528,221 million in the United States and $176,950 million in China, according to Sigma World Insurance in No. 4/2015 and, in the aggregate, represented approximately 14% of total global life insurance premiums. Moreover, according to the Japan Institute of Life Insurance, 90.5% of Japanese households are enrolled in some form of life insurance. Additionally, according to the BOJ, as of March 31, 2015, life insurance and annuities accounted for 26% of total household financial assets in Japan, second only to cash deposits and slightly below levels in the United States and Europe.

We have long maintained a robust position in the attractive Japanese life insurance market. We are the third largest life insurance company in Japan in terms of total premium income and rank highly among our global peers in terms of revenue. With respect to group life insurance, we have sustained our leading position in the Japanese market with ¥111.6 trillion in policy amounts in force as of March 31, 2015, primarily due to our strong business relationships with many of Japan's major corporations and government and public offices.

Furthermore, we have established a strong track record of operating success. Our annualized premiums from policies in force have grown steadily year on year since the year ended March 31, 2010 due in part to our focus on enhanced after-sales services, with ¥2,141 billion in annualized net premiums from policies in force having been recorded for the year ended March 31, 2015. In addition, we have increased our embedded value, a valuation measure that represents the total value of in-force business and adjusted net worth, year on year since we first began disclosing embedded value in 2010. As of March 31, 2015, our embedded value stood at ¥5,490.5 billion, an increase of ¥1,271.9 billion from our embedded value as of March 31, 2014. This increase is mainly attributable to the growth in our adjusted net worth, which has been achieved mainly through increases in unrealized gains on securities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Embedded Value" for further details.

With over 6.5 million insured persons in Japan, we believe that we have a stable base of operations from which to pursue further profit growth while maintaining our robust position in the Japanese life insurance market. We believe that our profitability will continue to be positively affected by, among other things, the high profit margins on insurance premiums that are characteristic of the Japanese life insurance market.

Sound capital base, including industry leading solvency margin ratio

We have successfully maintained a strong capital base. We achieved solvency margin ratios on a consolidated and non-consolidated basis of 1,051.9% and 1,024.7%, respectively, as of June 30, 2015, each of which significantly exceeds the regulatory minimum threshold of 200%. Furthermore, our non-consolidated solvency margin ratio of 1,024.7% as of June 30, 2015, was the highest among the four largest Japanese life insurance companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Solvency Margin Ratio."

In addition to our solvency margin ratios, our real net assets have steadily grown year on year since the year ended March 31, 2010, and we had real net assets of ¥8,899.3 billion as of March 31, 2015, representing an increase of more than ¥2,460.0 billion from March 31, 2014, which has been achieved mainly through the accumulation of internal reserves. Our unrealized gains on securities, other than certain investment assets not readily susceptible to market valuation, also increased substantially to ¥5,276.7 billion as of March 31, 2015 as compared to ¥3,170.4 billion as of March 31, 2014. This increase was supported by the performance of domestic stocks and foreign securities in our investment portfolio, which, with respect to our domestic stocks, had a break-even point as of March 31, 2015 of ¥7,800 in relation to the Nikkei index and of 630 points in relation to TOPIX, each of which are significantly lower than the closing values of ¥19,206.99 and 1,543.11 for the Nikkei index and TOPIX recorded on March 31, 2015, respectively.

Stable operations and profit supported by increasing quality of insurance products

We have achieved continuous growth in our base profit, a measure that is used for the performance of a Japanese life insurance company's core insurance business, due in part to our improved investment margin, as well as stable mortality and expense margins. We recorded ¥506.3 billion in base profit for the year ended March 31, 2015, representing growth of 10.0% over the previous year and the highest amount of base profit we have recorded in our history. In addition, we recorded interest surplus of ¥168.6 billion at the closing of accounts for the year ended March 31, 2015, representing the fourth consecutive year in which we have recorded interest surplus.

We have also steadily improved our operations, particularly with the aim of achieving greater customer satisfaction and retention, which we believe has contributed to the stability of our revenue generation from our life insurance business. As discussed further below in "—Strategies," we have focused on providing engaging, face-to-face after-sales services to achieve competitive differentiation. We believe that it is partly as a result of these efforts that our surrender and lapse rate has declined year on year since the year ended March 31, 2012 to 4.41% as of March 31, 2015, which is 1.03 percentage points lower than the industry average of 5.44% for the overall Japanese life insurance market, based on data published by the Life Insurance Association. Our total persistency rate is competitive with the persistency rates of Japan's other major life insurance companies. Specifically, it has remained steadily above 90% for 13-month contracts and 85% for 25-month contracts over the last four years and stood at 93.6% for 13-month contracts and 87.8% for 25-month contracts as of June 30, 2015.

Effective management of investment portfolio through implementation of surplus management-type ALM

We manage our investment portfolio through the implementation of a surplus management-type ALM, which we believe has enabled us to achieve a domestic bond-centered investment portfolio that is inherently resilient against changes in market and economic conditions. We have successfully maintained a high-quality investment portfolio, with more than 60% of our general account assets concentrated in yen-denominated fixed income assets, such as domestic bonds and domestic loans, as of March 31, 2015. Our bond portfolio mostly consists of JGBs and U.S. Treasury bonds, and our other bond holdings generally have a credit rating of A or above. We believe that this high-quality investment portfolio supports secure and stable returns over the medium- to long-term. Domestic bonds accounted for 46.5% of our total general account assets as of March 31, 2015, while domestic stocks accounted for only 11.8%. We also aim to reduce our risk exposure by diversifying our portfolio by asset type, maturity, country and currency.

A key component of our surplus management-type ALM is to aim to maintain a high percentage of long-term bonds in our investment portfolio, in order to reduce the mismatch between the duration of our assets and liabilities. We manage the risks of both increased and decreased interest rates in the domestic market by diversifying the mix of asset types, currencies and maturities of our investments. In addition, most of our domestic bond portfolio is classified as held-to-maturity debt securities or policy-reserve-matching bonds, which decreases the impact of interest rate fluctuations. We also engage in risk management to control the risks related to a rise in the Japanese yen or a decrease in share prices. As a result of our implementation of surplus management-type ALM, we have reduced the sensitivity of our embedded value to a 50 basis point decrease in the risk-free rate to negative 5.6% as of March 31, 2015. See "—Investments—Management of Investments" for further details on our surplus management-type ALM policy.

Strategies

In April 2014, we launched a new three-year plan called the Meiji Yasuda NEXT Challenge Program, which includes a new Medium-Term Business Plan. The Medium-Term Business Plan consists of the following three major components:

- A brand strategy, through which we are aiming to achieve competitive differentiation from our peers by providing active, face-to-face after-sales services using our sales representative channel.
- A growth strategy, through which we are striving to increase sales of third-sector insurance products and expand our overseas insurance business.
- Strengthening of our operating base by enhancing our levels of capital and promoting effective risk management.

Our specific strategies for branding, growth and strengthening of our operating base are as follows:

Enrich our lineup of products and services, including in business areas with growing demand, such as medical and nursing care insurance.

We believe that new products and services will enable us to address the evolving coverage needs of our changing customer base. In particular, we believe that there are growth opportunities in the medical and nursing care insurance fields, as well as optional services, such as second opinion and illness prevention services, due to a shift in the insurance needs of Japan's shrinking population away from traditional mortality insurance into more diversified and personally tailored insurance portfolios.

In particular, in June 2014, we released "Best Style," a highly flexible and customer needs-responsive product that is intended to provide "easy-to-tailor" coverage at the time of enrollment, "easy-to-revise" coverage after enrollment and "easy-to-understand" procedures when making any claims. "Best Style" offers customers the flexibility to combine a wide variety of coverage into personally tailored insurance portfolios that can subsequently be modified as necessary to meet changing life needs and circumstances. Customer reception of

"Best Style" has been very strong with more than 500,000 policies having been sold in the first eleven months since its release. In June 2015, we also supplemented our product lineup by introducing "Medical Style F," a third-sector product focused on medical and nursing care insurance, which, similar to "Best Style," is highly flexible and allows customers to revisit and modify their coverage portfolios on a yearly basis to adapt to changing life needs. "Best Style," "Medical Style F" and our other individual life insurance products are essential to our responding to and capturing market share in emerging business areas, such as those aimed mainly at female and young customers.

In recent years, we have also introduced other products tailored for specific needs and customer segments aimed at individual customers. For instance, in September 2012, we began offering "*Kaigo no Sasae*," a type of annuity product designed to work hand-in-hand with Japan's long-term care insurance system. The introduction of "*Kaigo no Sasae*" broadened our range of individual annuity products, which include "*Nenkin Kakehashi*" and "*Nenkin Hitosuji*," annuity products that can be tailored to meet the particular financial needs and uses of customers and for the accumulation of retirement funds, respectively. In August 2015, we separately launched "Meiji Yasuda Savings-type Educational Insurance" in order to assist customers with preparing for children's educational expenses in an efficient manner.

In our bancassurance channel, we have expanded our lineup of single premium products and diversified our range of product offerings to include level premium protection-type products. With respect to our corporate group insurance customers, we are placing emphasis on proposing solutions that are tailored to their particular needs, and have also expanded our products and services aimed at corporations to include third-sector products in response to the increasing demand for medical and nursing care protection.

Provide engaging, face-to-face after-sales services to achieve competitive differentiation

Our approximately 30,000 sales personnel nationwide in Japan have been an integral sales channel for our products, particularly to individual customers. Given the importance of face-to-face contact in life insurance sales in the Japanese market, our sales representatives are expected to remain key resources for our ongoing revenue generation. To enhance face-to-face consulting services provided by our sales personnel, particularly after enrollment in life insurance policies, we have, among other things, developed a system that utilizes mobile communication technologies to enable our sales personnel to actively engage in more personalized dialogue with customers, including with respect to policy details, analysis of coverage needs and potential revisions in coverage tailored to meet the evolving needs of each individual customer. We believe that such after-sales services and engagement with existing customers by our sales personnel is critical to our ability to maintain and improve our total persistency rate and surrender and lapse rate and to solidify our brand image in the minds of our customers as a life insurance company that provides superior customer service as compared to our peers.

Actively promote and expand our overseas insurance business, including through the proposed acquisition of StanCorp, to secure greater opportunities for future profit in the global market

Through our overseas representative offices, subsidiaries and affiliates, and through our business alliances and tie-ups, we engage and invest in the life and non-life insurance business in various markets around the world, including markets such as the United States, China, Indonesia, Thailand and Poland. Other than the United States, where we have had a presence since 1976 through our acquisition of a majority equity stake in Pacific Guardian Life Insurance Company, Limited, each of these is an overseas market we entered into during the last five years. As part of our growth strategy under our current three-year plan, we are actively promoting the expansion of each of our existing affiliates' businesses in their respective markets to increase profitability in the medium- to long-term.

In addition, in pursuit of further overseas growth, we continuously seek and evaluate opportunities to make strategic investments and acquisitions over the course of our three-year plan, mainly in regions where robust market growth is expected, including both developing and developed countries, taking into account not only the stage of development of each country, but also geographical diversification. On July 23, 2015, we took a significant step in expanding our overseas insurance business by entering into an agreement to acquire all of the shares of common stock of StanCorp, a medium-sized life insurance holding company that is a leading provider of group life and disability insurance in the United States. We believe that the proposed acquisition will provide an attractive opportunity to gain a strong business foundation in the United States, which is the largest life insurance market in the world, and will significantly increase the contribution of our overseas insurance businesses to our consolidated premium income. Subject to various closing conditions, including approval by StanCorp shareholders and U.S. and Japanese insurance regulators, we currently expect the transaction to close during the first quarter of calendar year 2016. See "Proposed Acquisition of StanCorp" for further information.

Further enhance our financial foundation through the maintenance of adequate levels of capital and pursuit of sophisticated enterprise risk management

In conjunction with pursuing our customer-oriented brand-strengthening and domestic and overseas growth strategies, we are actively taking steps to ensure continued financial soundness and achieve an even stronger financial foundation on which to grow and expand our businesses. To this end, we aim to strengthen our enterprise risk management by advancing our surplus management-type ALM through an increase in the duration of our assets and by bolstering our risk reduction efforts through a restructuring of our investment portfolio to mitigate against the risk of a sudden increase in interest rates. We will continue to strive to maintain an adequate level of equity to further strengthen our ability to withstand market risks and fluctuations.

Current progress of our Medium-Term Business Plan

We are currently in the second year of our three-year Medium-Term Business Plan. Under this plan, we have set three management performance targets with respect to embedded value, individual insurance marketing and group insurance marketing, to be achieved by the year ended March 31, 2017, the final year of the Medium-Term Business Plan.

The table below sets forth our progress as of March 31, 2015 in achieving each of the management performance targets, as well as the specific management performance targets, under the Medium-Term Business Plan.

	As of March 31,		Management Performance Targets
	2014	**2015**	
Corporate Value(1)	¥4,218.5 billion	¥4,675.5 billion(1)	¥5,300.0 billion(1)
Individual Customers			
ANP from Policies in Force	¥2,083.8 billion	¥2,099.3 billion	¥2,198.0 billion
Corporate Customers			
Group Insurance (Policy Amount in Force)	¥111.0 trillion	¥111.6 trillion	Maintain largest market share in Japan
Group Pension Assets	¥6.97 trillion	¥7.13 trillion	Maintain and steadily increase assets under management

Note:

(1) Corporate Value means our embedded value calculated based on the investment environment as of March 31, 2014, when our management performance targets under the Medium-Term Business Plan were set. Adjustments made to embedded value to calculate corporate value as of March 31, 2015 include, among other things, (i) adjustments to adjusted net worth to reverse the effect of changes in market conditions, such as share prices, that occurred after March 31, 2014 and (ii) adjustments to the value of in-force business to apply the yield curve applicable as of March 31, 2014.

Products and Services

We offer various types of individual life insurance and annuity products as well as group insurance and annuity products, with over 6.5 million insured persons in Japan, as of March 31, 2015. In addition, on a consolidated basis our subsidiaries and affiliates offer various products and services, including third-sector insurance products and asset management and investment trust management services.

Individual Insurance

Individual insurance products account for the largest portion of the sales of our products. The number and amount of individual insurance policies in force were approximately 8.8 million policies and ¥73.5 trillion, respectively, as of June 30, 2015. The amount of new individual insurance policies written, including net increases in policy amounts due to conversions, were ¥1,519.7 billion and ¥681.5 billion, respectively, during the year ended March 31, 2015 and the three months ended June 30, 2015. Premiums from individual insurance constituted 54.7% of total insurance premiums for the year ended March 31, 2015.

Customizable Comprehensive Insurance – "Best Style"

In June 2014, we introduced a product marketed under the name "Best Style," a customizable comprehensive product that can be tailored to meet the specific needs of our customers. "Best Style" now serves as our main product for individual insurance. Since its launch, we have sold over 600,000 policies as of July 31, 2015, achieving and exceeding the yearly sales target of 500,000 policies by the end of April 2015. "Best Style" policies accounted for 9.8% of our total policy amount in force for individual insurance policies as of March 31, 2015, and for 70.3% of new policy amounts written for individual insurance during the year ended March 31, 2015.

"Best Style" is based on our belief that the true value of life insurance is dependent on proactive and ongoing after-sales services that involve face-to-face consultation, and has three key features: "easy to tailor" at the time of enrollment; "easy to revise" after enrollment; and "easy to understand" procedures for claim application. By introducing this product, we aim to offer optimal coverage at the time of enrollment by enabling customers to combine 21 types of coverage in four different categories ranging from illness and injury protection, serious disease and illness protection, disability and nursing care protection to death and permanent events into personally tailored insurance portfolios. "Best Style" also provides consumers flexibility to subsequently revise coverage annually through face-to-face follow-up consultation to appropriately revise policy details according to changes in their needs and stages of life. For example, customers can add new insurance, increase coverage amounts, and selectively revise only the parts they need to change.

Coverage for each of hospital admission and treatment, advanced medical care and new hospital admission was included in approximately 90% of all "Best Style" policies sold between June 2014 and March 2015. The following table sets forth brief descriptions of the 21 types of coverage that are offered under "Best Style."

Type of Coverage	Description
Category A: Illness and Injury Protection	
Hospital admission and treatment	Provides benefits for hospital admissions and treatments covered under the public healthcare insurance system.
Advanced medical care	Provides benefits for advanced medical care treatment.
New hospital admission	Provides benefits for hospital stays ranging from out-patient treatments to long-term hospital stays.
Whole life hospital admission	Provides benefits for hospital stays ranging from out-patient treatments to long-term hospital stays for the insured's whole life.
Post-discharge medical treatment	Provides benefits for post-discharge medical treatments covered under the public healthcare insurance system.
Out-patient treatment	Provides benefits for out-patient treatments covered under the public healthcare insurance system.
Unforeseen injury	Provides benefits for certain injuries resulting from unforeseen accidents.
Unforeseen death or disability	Provides benefits for death and certain disabilities resulting from unforeseen accidents.
Category B: Serious Disease and Illness Protection	
Cancer	Provides benefits for certain types of cancer.
Cancer and pre-invasive cancer	Provides benefits for certain types of cancer and pre-invasive cancer.
Six major diseases	Provides benefits for certain conditions resulting from the following six major diseases: acute cardiac infarction, stroke, diabetes, hypertension, chronic kidney failure and cirrhosis of the liver.
Category C: Disability and Nursing Care Protection	
Fixed term living support	Provides annuity benefits for certain disabilities resulting in daily life limitations or in case of death for a fixed period of time.
Living support	Provides annuity benefits for certain disabilities resulting in daily life limitations for the insured's whole life.
New nursing care	Provides benefits for certain types of nursing care needs.

Type of Coverage	Description
Category D: Death and Permanent Events	
Term life insurance	Provides benefits in cases of death or certain disabilities for a fixed period of time.
Living expenses support	Provides annuity benefits for a fixed period of time in cases of death or certain disabilities.
Whole life insurance	Provides benefits in case of death or certain disabilities irrespective of when the insured dies or becomes disabled.
Renewal Protection	
Premium protection	Provides benefits to protect against insurance premium increases upon renewal or revision of policy.
Other Protection	
Cancer premium payment	Provides exemption for payments of certain premiums in cases of diagnosis of certain cancers.
Living needs	Upon diagnosis of life expectancy of six months or less, provides benefits allowing for payment of all or a portion of death benefits to which the insured is entitled.
Inefficacy of cancer treatment	Upon determination of inefficacy of standard cancer treatments, provides benefits allowing for payment of all or a portion of death benefits to which the insured is entitled.

Other Individual Insurance Products

Other individual insurance products we currently offer, some of which overlap with the types of coverage that are available as part of our "Best Style" product, include the following.

Whole life insurance. Whole life insurance pays death benefits to the beneficiary on the death of the insured irrespective of when the insured dies. Surrender benefits will increase over the elapsed time since enrollment and policyholders may receive annuities instead of a single premium death benefit payment. Whole life insurance accounted for 8.4% of our total policy amount in force for individual insurance policies as of March 31, 2015, and for 3.8% of new policy amounts written for individual insurance during the year ended March 31, 2015.

Term life insurance. Term life insurance pays death benefits to the beneficiary on the death of the insured if the insured dies within a specified term. Term life insurance accounted for 3.7% of our total policy amount in force for individual insurance policies as of March 31, 2015. Term life insurance provides extensive death benefits with inexpensive premiums, which is generally lower relative to those for a whole life insurance policy. Term life insurance accounted for 2.4% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2015.

Endowment insurance. Endowment insurance accounted for 1.4% of our total policy amount in force for individual insurance policies as of March 31, 2015. Endowment insurance enables asset formation over a set period while providing death protection to pay a death benefit if the insured dies within a specified term or a maturity benefit of the same amount in case the insured survives to the end of that term. Endowment insurance accounted for 0.3% of new individual insurance policy amounts written for individual insurance during the year ended March 31, 2015.

Third-sector and other individual life insurance products. We offer other individual life insurance products, including medical insurance, cancer insurance, juvenile insurance and term rider with survival benefits as well as a wide variety of policy riders which can be combined with our other products. We offer riders, among other things, for serious diseases, cancer, illness and disability, nursing care, living needs, accidents, injuries and hospitalization. These riders are used to supplement a base insurance policy to provide additional benefits tailored to each policyholder. For example, in June 2015, we launched a customizable comprehensive medical insurance product called "Medical Style F," the "F" in such product name standing for "flex" and "future," which provides coverage options set forth under Category A and Category B of "Best Style" and also allows for consumers to review and modify their coverage once a year to meet changing life needs. We expect that the third-sector market, particularly medical and nursing care, will be an increasingly important part of our business in the future.

Individual Insurance Products Previously Offered

Individual insurance products and coverage that we previously offered and that still remain significant in terms of our current policies outstanding include the following.

Whole life insurance with term rider. Whole life insurance with term rider combines term coverage for unexpected events for a set period of time with coverage that continues for the insured party's whole life, paying a benefit to the beneficiary upon the death of the insured irrespective of when the insured dies. While we no longer offer whole life insurance with term life rider as a stand-alone product, "Best Style" can be tailored to provide customers with the combined benefit of whole life insurance with term life features to provide for a higher payment if the insured dies within a specified period. Whole life insurance with term rider accounted for 10.6% of our total policy amount in force for individual life insurance policies as of March 31, 2015.

Interest-sensitive whole life insurance with benefit rider. Interest-sensitive whole life insurance with benefit rider combines term coverage for unexpected events for a fixed period of time with coverage that continues for the insured party's whole life, paying a benefit to the beneficiary upon the death of the insured irrespective of when the insured dies, which is calculated based on a guaranteed minimum assumed yield that is revised every three years. Interest-sensitive whole life insurance with benefit rider represents the largest percentage of our total policy amount in force for individual life insurance, totaling 44.3% as of March 31, 2015.

Individual Annuities

The number and amounts of individual annuity policies in force were approximately 2.5 million policies and ¥13.8 trillion, respectively, as of June 30, 2015. The amount of new individual annuity policies, including net increases in policy amounts due to conversions, were ¥847.8 billion and ¥202.3 billion during the year ended March 31, 2015 and the three months ended June 30, 2015, respectively. Premiums from individual annuities constituted 10.4% of total insurance premiums for the year ended March 31, 2015.

Our individual annuity products mainly consist of individual fixed annuities, marketed under the "*Nenkin Kakehashi*," "*Nenkin Hitosuji*" and other product names. We offer fixed annuity products that pay benefits for a fixed term and those that pay benefits throughout the life of the insured. Deposits made into these contracts are allocated to our general account, and we bear the risk that investments in the general account may not meet the assumed yields. In October 2014, we reduced the minimum premium for "*Nenkin Hitosuji*" to attract young customers and in December 2014, we launched "*Nenkin Kakehashi*" in response to the growing needs among the middle-aged generation for savings-type products and inheritance planning.

Group Insurance

Our group insurance products include mainly group term life insurance and group credit life insurance. With respect to group insurance, we have sustained our position as the industry leader in the Japanese market with ¥111.6 trillion in policy amounts in force as of March 31, 2015. The amount of new group insurance policies was ¥751.2 billion and ¥338.1 billion during the year ended March 31, 2015 and the three months ended June 30, 2015, respectively. Premiums from group insurance constituted 9.1% of total insurance premiums for the year ended March 31, 2015.

Group term life insurance. Group term life insurance accounted for 59.9% of our total policy amounts in force for group insurance policies as of March 31, 2015. Group term life insurance is similar to term life insurance offered on an individual basis. Only one application is processed on behalf of the many individuals covered under the policy. We offer these products through corporations and other organizations as sponsored benefit programs with premiums paid by the organizations or on a non-sponsored basis with premiums paid by the insured. Group insurance policies are offered on a one-year renewable basis.

Group credit life insurance. Group credit life insurance accounted for 40.0% of our total policy amounts in force for group insurance policies as of March 31, 2015. Under this type of policy, in the event of the death or severe disability of the insured, we pay a benefit that is applied toward the repayment of the insured's installment loans, including housing loans. The amount of the benefit depends upon the amount of the remaining debt.

Group Annuities

We offer group annuity products that can be packaged to meet the specific needs of a corporation or other organization to offer defined benefit, defined contribution and other plans to corporations and other organizations and their employees or other organization members.

Our defined benefit plans offer fixed pension benefits with premium payments calculated based on the amounts of the fixed benefits. A portion of the plan can be allocated to the separate account so that variable returns based on actual investment results can be received. Plans that meet specified conditions may qualify for preferential tax treatment. Products include pension benefits insurance for retired employees; employee pension fund insurance, which is a public pension fund system funded by corporate and employee contributions; and national pension fund insurance, which is a public pension system also funded by voluntary contributions of individuals. We offer our group annuity products to pension funds of large corporations and public pension funds. Premiums from group annuities constituted 24.6% of total insurance premiums for the year ended March 31, 2015.

We also provide products and services that corporations may use to offer defined contribution plans to their employees. These plans include plans with guaranteed minimum returns, as well as plans without guaranteed minimum returns that reflect the results of investments made in a variety of segregated accounts among which the individual may allocate plan assets. Plan assets may be transferred to the plan of a new employer when the employee changes employment. We offer various products for investment of plan assets through Meiji Yasuda Asset Management Company Ltd., including investment trusts that specialize in domestic and foreign stocks and bonds.

Other Insurance Products

We offer other insurance, including reinsurance, property accumulation insurance and disability insurance. Premiums from other insurance products constituted approximately 1.3% of total insurance premiums for the year ended March 31, 2015.

Selected Information on Our Insurance Products

The following table sets forth selected information regarding our individual insurance, individual annuities, group insurance and group annuities:

	As of and for the year ended March 31,		
	2013	2014	2015
	(Thousands of policies and billions of yen)		
Individual Insurance Products			
Total individual insurance products:			
Number of new policies	640.0	642.6	582.4
New policy amount	¥ 3,605.8	¥ 3,509.6	¥ 3,219.1
Number of new policies including conversions	926.9	901.5	1,008.6
New policy amount including conversions	¥ 8,473.2	¥ 7,711.3	¥ 10,484.8
Total number of policies	8,765.4	8,800.0	8,797.7
Total policy amount in force	¥ 83,389.5	¥ 78,971.9	¥ 74,463.2
Customizable comprehensive insurance(1):			
Number of new policies	–	–	99.8
New policy amount	–	–	¥ 1,110.4
Number of new policies including conversions	–	–	460.9
New policy amount including conversions	–	–	¥ 7,369.1
Total number of policies	–	–	456.5
Total policy amount in force	–	–	¥ 7,298.5
Interest-sensitive whole life insurance with benefit rider:			
Number of new policies	125.6	117.0	20.2
New policy amount	¥ 1,289.2	¥ 1,261.6	¥ 215.9
Number of new policies including conversions	391.4	347.6	77.8
New policy amount including conversions	¥ 5,921.8	¥ 5,172.9	¥ 1,147.2
Total number of policies	2,317.2	2,304.5	1,846.9
Total policy amount in force	¥ 46,543.2	¥ 43,485.1	¥ 33,007.0
Whole life insurance with term rider:			
Number of new policies	–	–	–
New policy amount	–	–	–
Number of new policies including conversions	–	–	–
New policy amount including conversions	–	–	–
Total number of policies	852.7	775.3	708.1
Total policy amount in force	¥ 11,024.2	¥ 9,229.2	¥ 7,862.0
Whole life insurance:			
Number of new policies	99.8	64.6	61.0
New policy amount	¥ 536.1	¥ 391.6	¥ 396.1
Number of new policies including conversions	101.1	65.1	61.3
New policy amount including conversions	¥ 551.6	¥ 398.8	¥ 399.7
Total number of policies	952.7	998.6	1,039.7
Total policy amount in force	¥ 5,823.1	¥ 6,025.4	¥ 6,224.3
Term life insurance:			
Number of new policies	40.9	39.9	41.2
New policy amount	¥ 251.5	¥ 254.6	¥ 253.7
Number of new policies including conversions	40.9	39.9	41.2
New policy amount including conversions	¥ 251.8	¥ 254.6	¥ 253.7
Total number of policies	613.7	598.2	581.6
Total policy amount in force	¥ 2,796.2	¥ 2,755.0	¥ 2,737.3
Endowment insurance:			
Number of new policies	5.7	5.5	4.6
New policy amount	¥ 27.7	¥ 24.8	¥ 27.2
Number of new policies including conversions	5.7	5.5	4.6
New policy amount including conversions	¥ 28.7	¥ 25.6	¥ 28.0
Total number of policies	378.1	325.4	291.0
Total policy amount in force	¥ 1,309.7	¥ 1,158.9	¥ 1,047.5
Individual Annuity Products(2)			
Number of new policies	252.1	181.5	167.3
New policy amount	¥ 1,402.5	¥ 961.9	¥ 849.9
Total number of policies	2,365.8	2,451.9	2,486.2
Total policy amount in force	¥ 13,563.3	¥ 13,868.5	¥ 13,866.2

		As of and for the year ended March 31,		
		2013	2014	2015
		(Thousands of policies and billions of yen)		
Group Insurance Products				
Number of new policies		178.3	436.6	1,149.7
New policy amount	¥	927.7 ¥	1,878.5 ¥	751.2
Total number of policies		28,193.1	28,124.0	28,622.9
Total policy amount in force	¥	110,128.0 ¥	111,005.9 ¥	111,636.1
Group Annuity Products(3)				
Number of new policies		222.1	45.4	7.4
New policy amount	¥	3.1 ¥	0.5 ¥	1.5
Total number of policies		12,323.8	12,286.9	11,908.2
Total policy amount in force	¥	6,683.2 ¥	6,970.5 ¥	7,133.6

Notes:

(1) Represents "Best Style" and "Medical Style F" policies.

(2) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced.

(3) For group annuity products, the new policy amount is equal to the initial premium payment and the policy amount in force is equal to the amount of outstanding corresponding policy reserves.

Policyholder Participation

We offer participating and semi-participating policies. Holders of participating policies receive yearly dividends. These dividends are calculated based on three variables: mortality and morbidity rate margin, investment yield margin and administrative expense margin. If the combined effect of actual mortality and morbidity rates, yield on investments and administrative expense levels during a given period is more favorable to us compared to the assumptions used when pricing these products, a net surplus will generally result for that period. A portion of the net surplus attributable to participating policies may then be distributed to the policyholder as policyholder dividends. We may pay a terminal dividend, depending on the product, in addition to the regular policyholder dividends.

Consolidated Group Products and Services

Asset management and investment trust management. Meiji Yasuda Asset Management Company Ltd. is an asset management firm that leverages the asset management capabilities of Meiji Yasuda Life and its group companies. Through discretionary management, advisory services and investment trust products, it provides high-quality asset management services for corporate and individual customers. As of March 31, 2015, the total assets under management of Meiji Yasuda Asset Management Ltd. amounted to ¥2,359.7 billion, consisting of ¥1,469.0 billion in the investment advisory business and ¥890.7 billion in the investment trust business.

Non-life insurance products. Meiji Yasuda General Insurance Co., Ltd. engages in the general non-life insurance business, providing a variety of non-life insurance products, particularly for corporate customers, including group accident insurance, director and officer insurance and property damage liability insurance. In addition, with the aim of developing new points of contact with potential customers who have yet to use our life insurance products, we have started to handle other non-life insurance products such as "MY Cycle Plus" that provides coverage for damage caused by bicycle accidents, in addition to "Meiji Yasuda Savings-type Educational Insurance" launched in August 2015.

Sales and Marketing

Multi-Channel Sales Structure

For each of our three main sales distribution channels, which are our exclusive sales representative channel, our bancassurance channel and our group insurance marketing channel, efforts are underway to strengthen sales services with the aim of further improving customer satisfaction and broadening the public's exposure to our products. In our sales representative channel, we are strengthening our employee training and education structure, particularly for new recruits, by providing in-house training and examination programs, assessments of sales capability with our main products and consulting training. In our bancassurance channel, we have been expanding the network of financial institutions that handle our level premium individual annuities while providing their sales personnel with new mobile terminal devices to equip them to provide better after-sales services. In our group insurance marketing channel, we are reinforcing our consulting services for policyholders approaching retirement age with the aim of promoting continued enrollment after retirement. We are also working to develop a framework to facilitate increased collaboration between our group insurance marketing channel and our exclusive sales representative channel.

Sales representative channel. We have a large network of sales representatives, known as "MY Life Plan Advisors," that market products mainly to individual customers. In our effort to promote face-to-face services, we strive to ensure that new and existing policyholders are visited under our "Ease of Mind Service Activities Program" and we are working to develop other points of contact with customers who have difficulty attending such meetings. In September 2013, we introduced "Meister Mobile" tablet terminals equipped with advanced mobile communication functions, with the aim of enhancing our face-to-face consulting services. Our face-to-face ethic, including with respect to proactive and ongoing in-person after-sales services, is critical both to our social mission as a life insurance company and to the success of our customer service efforts. For example, in the wake of the Great East Japan Earthquake, our ability to respond quickly and efficiently to customer needs was essential to the financial recovery of households in the affected areas.

As of March 31, 2015, we had 30,101 sales representatives (including sales representative positions held by sales managers) operating through 938 sales offices located throughout Japan. Our sales representatives, nearly all of whom are women, are licensed pursuant to industry-wide standards. Door-to-door sales and workplace sales constitute the primary means by which our sales representatives market our products to new customers. Of new individual insurance and annuity policies written in the year ended March 31, 2015, approximately 56.4% of annualized net premiums were attributable to sales by sales representatives.

We believe that our sales representatives should, among other things, be able to explain the range of our products and services and advise as to which of those products and services best meet the needs of our customers. Accordingly, we are strengthening our employee training and education structure, utilizing a system to nurture sales personnel during the first five years. During this period, we provide in-house training and examination programs, assessments of sales capability with our main products, and consulting training. At the beginning of their careers, all sales representatives participate in an intensive training course taught by experienced instructors. Sales representatives may continue their education at training centers established at each of our offices, which offer training materials and satellite broadcast programs, and are staffed by full-time consulting experts.

In addition, in order to provide the best consulting and services to our customers, we encourage our sales representatives to receive financial planner certifications from the Ministry of Health, Labor and Welfare of Japan. This certification requires a strong knowledge of financial products and social security in addition to life insurance, which we believe will further our sales representatives' effectiveness. As of March 31, 2015, 21,769 of our sales representatives had received the financial planner certifications.

Bancassurance channel. We sell individual annuities and single premium whole life insurance through the service counters of financial institutions under agency agreements with over 100 financial institutions including banks, securities companies and credit unions throughout Japan. We have enhanced products sold through this channel, expanding our lineup of single premium products and diversifying our range of products, including level premium protection-type products, while also purposefully limiting sales of single premium individual whole life insurance per financial institution to mitigate interest rate risk. Of new individual insurance and annuity policies written in the year ended March 31, 2015, approximately 41.8% of annualized net premiums were attributable to sales via financial institutions.

Group insurance marketing channel. We are putting greater emphasis on proposing solutions to the needs of our corporate customers, especially private companies. We have a staff of corporate relationship managers located in metropolitan areas throughout Japan that markets group insurance and group annuity products directly to large corporations and public entities. Our corporate relationship managers also work with our sales representatives to support workplace sales activities, and we are in the process of strengthening the level of cooperation.

Other channels. In April 2015, we established a sales channel maintained by newly recruited sales personnel, with the aim of developing new individual insurance customers through worksite marketing in urban areas. We also maintain a network of 10 shops, consisting of six *Hoken ga Wakaru Desk* shops, which exclusively handle our products and operate in the metropolitan areas of Tokyo, Osaka and Nagoya and four *Hoken Port* shops, which are run jointly by an affiliate acting as an independent agency and sell both our products and those of other insurers.

Sales Support

Our sales representatives are supported in their sales activities by our advanced IT infrastructure. In September 2013, we introduced “Meister Mobile” devices, which enable our sales representatives to handle customer requests swiftly while maintaining the traditional face-to-face conversational consulting format that is so critical to the success of our sales representative channel. With these devices, sales representatives can display marketing materials and application forms, make inheritance tax calculations, manage customer information, report their sales activities and access information regarding existing policies. These devices have been distributed to all sales representatives throughout Japan and allow them to develop insurance proposals, process applications in a paperless manner and complete various procedures in real time, subject to robust security protocols to protect our customers’ personal information.

Customer Support Services

We are constantly seeking to improve our customer service support services and the convenience offered to our customers, taking into account the changing demographics and needs of our customer base. In recent years, we have placed significant emphasis on streamlining application procedures and other administrative service-related processes to make them more user-friendly, time-efficient and paperless and, where applicable, to increase the utilization of information and communication technology, such as our “Meister Mobile” tablet terminals introduced in September 2013, to achieve such aims.

Face-to-Face Customer Service

We believe that largely due to our after-sales follow-up visits, we have been able to realize a continuous year on year decline in our surrender and lapse ratio since March 31, 2011.

The following table sets forth the surrender and lapse ratio of our individual insurance and individual annuities as of the dates indicated.

	As of and for the year ended March 31,					As of and for the three months ended June 30,
	2011	2012	2013	2014	2015	2015
	(Billions of yen, except percentages)					
Policy amount at the beginning of the period	¥ 109,175.9	¥104,466.2	¥101,553.8	¥96,952.8	¥92,840.5	¥88,329.4
Surrender and lapse amount	5,927.8	5,181.8	4,866.6	4,431.5	4,090.6	1,045.7
Policy amount at the end of the period	104,466.2	101,553.8	96,952.8	92,840.5	88,329.4	87,449.9
Surrender and lapse ratio	5.43%	4.96%	4.79%	4.57%	4.41%	1.18%

My Hoken Page

The My Hoken Page, launched in April 2012, provides web-based customer service exclusively for policyholders. Through the website, policyholders can easily access our various customer service features, including viewing information regarding their policies and making certain changes to personal data, and conveniently and expeditiously receive direct deposits of policy loan amounts and policyholder dividends into specified accounts.

Second Opinion Service

This service is provided to Best Style policyholders through the My Hoken Page. Through this service, policyholders can make appointments for free consultation for various specialized medical fields, and, depending on the result, receive referrals for reputable clinicians.

Health and Medical Services

Policyholders have access to various health and medical services through the My Hoken Page, including 24-hour health counseling services, 24-hour pregnancy counseling services, diagnostic test mailing services, evolving medical information, hospital searches and online health checks, among others.

Nursing care and disability-related services

Policyholders have access to various nursing care and disability-related services through the My Hoken Page, including 24-hour nursing consultation services, disability consultation services, calculators to assess expected nursing care fees, nursing care searches and discounts for nursing staff introductory training, among others.

Call Center

In addition to the online customer support service provided through the My Hoken Page and face-to-face customer service provided through our after-sales follow-up visits, our call centers provide customers with a supplemental and efficient means to gain access to information about their insurance policies. We also allow policyholders to obtain policy loans, withdraw dividends, view their account, pay premiums and receive other services through many ATMs operated by third parties. Customer service is also available via post.

Overseas Operations and Strategic Alliances

Although we consider the large and profitable domestic market to be our primary focus, we are also taking steps to develop our business overseas, where we expect there are further growth opportunities.

To increase revenues in our overseas business, we plan to pursue a broad range of possibilities and examine the best way of expanding businesses based on the characteristics of the respective overseas markets. On July 23, 2015, we took a significant step in expanding our overseas insurance business by entering into an agreement to acquire all of the shares of common stock of StanCorp, a medium-sized life insurance holding company that is a leading provider of group life and disability insurance in the United States. See “Proposed Acquisition of StanCorp” for further discussion.

Currently, we operate or invest in life insurance businesses in five countries through subsidiaries, capital tie-up and joint venture arrangements. Our existing international development initiatives in this area include:

- In 1976, we acquired a majority equity stake in PGL headquartered in Hawaii. By doing so, we became the first Japanese life insurer to participate in the management of a life insurance company in the United States. In 1985, we increased the proportion of our equity stake in PGL to 100.0%, making it our wholly owned subsidiary. PGL provides life insurance tailored for the needs of customers in local communities, mainly in Hawaii and the west coast of the United States. In 2013, PGL was honored by the Japanese Cultural Center of Hawaii as a community leader that proactively exemplifies “Sharing the Spirit of Aloha (hospitality)” through its longstanding contribution to the center’s activities.
- In 2010, we acquired approximately 300 million euros of convertible perpetual subordinated bonds issued by Talanx AG, a well-known German insurer. In connection with the October 2012 initial public offering conducted by Talanx AG, such bonds were converted into shares of Talanx AG. We continue to maintain a strong capital and business alliance with Talanx AG that enables both companies to proactively develop new opportunities in growing international markets, especially in the growing Central and Eastern Europe market.
- In 2010, we made an investment in a Chinese life insurance company that was subsequently renamed Founder Meiji Yasuda Life Insurance Co., Ltd., in which we currently hold an equity stake of 29.2%. We will endeavor to expand business at this joint venture in cooperation with the other two shareholders, Peking University Founder Group Co., Ltd. (the enterprise group created by Peking University) and Haier Group (a leading Chinese manufacturer of consumer electronics and home appliances). Founder Meiji Yasuda Life was selected as an insurance company with the highest growth potential in the 2013 CBN Annual Financial Value Ranking sponsored by China Business News, a prominent economic newspaper in China.

- In 2010, we invested in Indonesian life insurer PT Avrist Assurance, becoming the first Japanese life insurance company to expand into Indonesia. In 2012 and 2014, we increased our shareholdings in Avrist to the current equity stake of 29.9%, thereby building an even closer business alliance.
- In 2012, we acquired shares of two major Polish insurers, TU Europa S.A. and TUiR Warta S.A., jointly with Talanx AG, our alliance partner since 2010 and currently hold equity stakes of 33.5% and 24.3% in TU Europa S.A. and TUiR Warta S.A., respectively. Through our acquisitions, we became the first Japanese insurer to enter the Polish insurance market. Since then, we have been striving to expand business in the country by strengthening the business foundation with the integration of the existing Polish operations of Talanx AG and TUiR Warta S.A.
- In 2013, we made a 15.0% investment in Thai Life Insurance Public Company Limited, a major life insurer in Thailand. Along with a track record that extends more than 70 years since its founding, Thai Life has significant brand recognition as an insurer run by Thai people for Thai people. As a strategic partner, we seek to bring our knowledge and experience together with Thai Life's superior brand capabilities, thereby providing insurance services with even higher quality to Thailand.

In furtherance of our strategy to capture overseas growth opportunities, we continue to actively seek partners in the insurance business in both developed and emerging markets. From time to time, if we identify a suitable strategic partner, we may enter into strategic alliances with such partner similar to those described above.

Domestic Strategic Alliances

As part of our strategy to expand product and service offerings, we have entered into the following strategic transactions and alliances with other service providers and financial institutions in Japan:

- In December 1998, we formed a joint venture, The Mitsubishi Asset Brains Company, Limited, an investment advisory firm, with Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Corporation and Tokio Marine & Nichido Fire Insurance Company in which our equity stake is 25%. The Mitsubishi Asset Brains Company, Limited, provides research and evaluation services with respect to investment trusts, as well as engages in general investment advisory and agency businesses.
- In March 2001, we formed a joint venture, Defined Contribution Plan Consulting of Japan Co., Ltd., with Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Corporation and Tokio Marine & Nichido Fire Insurance Company, in which our equity stake is 20%, to provide consulting services with respect to the operation and management of defined contribution pension plans.
- In March 2012, we acquired Sunvenus Tachikawa Company Limited ("Sunvenus"), the operator of a private nursing home facility located in Tachikawa City, Tokyo. Since our acquisition, we have expanded its offerings, with an aim to serve the growing aging population in Japan, by opening a new nursing care facility for those requiring long-term nursing care in March 2013 on the same premises as the existing facility which provides more than 100 rooms for those in need of light nursing care.

Pricing and Underwriting

Pricing of our life insurance and annuity products is based mainly on assumptions with respect to expected mortality and morbidity rates, rates of return on investments and administrative expenses.

We maintain underwriting policies and guidelines intended to prevent actual insurance payment events from occurring at a higher rate than the expected mortality and morbidity rates. Our insurance underwriting involves a centralized application and risk evaluation process that determines whether the risk unique to a particular applicant, including mortality and morbidity risk and risk of insurance fraud, is consistent with the amount of risk that we are willing to accept. We consider the risk characteristics of the individual applicant to be insured, including a detailed medical condition, occupational and financial profile and we maintain strict guidelines regarding the examinations required for the type and amount of each policy. For example, in the case of policies that provide for death benefits exceeding a specified level, the insured party must undergo medical examinations performed by physicians employed by or affiliated with us. Other products offering lower benefits may require simpler examination procedures, such as interviews with insurance interview specialists, submission of results of a physical examination or in some cases only a written self-declaration.

We underwrite our group policies generally by evaluating the risk characteristics of the prospective insured group.

Additionally, when introducing new products or product lines, our product development departments conduct thorough evaluations of the insurance underwriting risk on existing policies to assess the risks associated with pricing of new products or product lines, which often involves the use of assumptions based on limited experience when compared to existing products or product lines.

To maintain high standards of underwriting quality and consistency, we engage in a series of ongoing internal underwriting audits at our offices and corporate headquarters.

The standard prospective yield used to compute the standard policy reserve for all insurance products sold starting in April 2013 was revised downward in from 1.5% to 1.0% based on the historical 3-year and 10-year-average yields of newly issued 10-year JGBs, resulting in a decrease in the assumed yields on investment used in calculating the standard policy reserve and a corresponding increase in required policy reserves for new policies. In June 2014, the FSA revised the respective methods of calculating the standard prospective yields for, among others, single premium individual whole life insurance, single premium endowment insurance and single premium individual annuities. The method of calculating the standard prospective yield for other insurance products remained unchanged. Under the new methods, standard prospective yield is calculated based on the historical 3-month and 1-year-average yields of newly issued 10-year and 20-year JGBs. The standard prospective yields for single premium endowment insurance and single premium individual annuities were revised downward from 1.0% to 0.5% for products sold starting in April 2015, and the standard prospective yield for single premium individual whole life insurance was revised downward from 1.0% to 0.75% for products sold starting in July 2015.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management—Insurance Underwriting Risk Management."

Investments

Our investments are divided into the general account and separate accounts. Payments to customers for products providing a fixed benefit are made from investments in our general account. We bear the risk that investments in the general account will not yield sufficient return to cover benefits paid for products for which premiums are calculated based on a fixed assumed yield.

In contrast, products for which customers bear the investment risk are paid from funds managed in a separate account. These products include individual variable insurance, individual variable annuities and group annuities with separate account policy riders. While there are no regulations restricting allocation of separate account assets to specified classes of investments, we generally invest such assets in investments for which market prices are readily available so that we may efficiently realize the returns for payment to policyholders.

Of our ¥36,800.1 billion of total assets as of June 30, 2015, general account assets accounted for ¥35,958.0 billion. The balance consisted of separate account assets in the amount of ¥850.8 billion.

Management of Investments

We invest our general account assets based on a "surplus management-type ALM" policy. Under this policy, the surplus derived from the difference between the economic values of assets and liabilities is considered an important indicator of financial soundness, and fluctuations in this surplus (risk) are closely monitored.

We aim to promote asset management centered on ALM and to secure both stability and profitability over the long term. Relying on the ALM approach, we make investments based on the characteristics of our liabilities, such as cost and duration, while at the same time seeking to augment earnings in the mid- to long-term by assuming a certain degree of risk within a permitted range with reference to our available risk buffer.

- *Stabilit*y. Recognizing that the key to stability lies in maintaining a proper portfolio structure, we invest based on an annual investment plan and the long-term objectives of our portfolio, which take into consideration the characteristics of our liabilities. We consider the expected duration of yen-denominated interest-bearing assets to be an important factor in the establishment and implementation of the investment plan.

- *Profitability*. We seek to augment mid- to long-term earnings by selectively investing in various assets, such as domestic and foreign equity, foreign bonds, notes, loans and real estate, that we believe bear a favorable risk-return trade-off. We conduct risk control such that the total value-at-risk of the investment portfolio, which is calculated using a statistical analysis, is within the permitted range according to our available risk buffer. In addition, we also monitor value-at-risk for market risk and credit risk, and, as necessary, establish appropriate limits to maintain a balance between profitability and stability.

Consistent with the basic policy described above, our core assets in recent periods have been concentrated in yen-denominated assets that are expected to provide stable income, such as bonds and loans. We have also invested in assets, such as stocks and foreign securities, from a perspective of mid- to long-term growth while remaining within acceptable levels of risk and stability. Our asset allocations priorities in recent periods have generally been as follows:

- *Domestic bonds*. We have invested in bonds to provide stable interest revenue. Additionally, in the year ended March 31, 2013, we began reshuffling our domestic bond portfolio to make it more resilient to rising interest rates. In the year ended March 31, 2014, we sold domestic bonds that had been held as available-for-sale securities, reducing such bonds by approximately ¥2,370 billion. In the same year, we purchased long-term domestic bonds totaling approximately ¥3,000 billion mainly as policy-reserve-matching bonds.
- *Loans*. We have focused on safe and stable prime lending by accurately assessing credit risks.
- *Foreign securities*. We have invested in a variety of foreign securities, including bonds, equities and investment trusts, denominated in foreign currencies with reference to foreign exchange movements. Moreover, to enhance profitability, we recently purchased more foreign bonds in light of the gap between domestic and overseas interest rates and trends in foreign exchange rates.
- *Domestic stocks*. We have focused on the overall state of returns to investors, including corporate profitability and dividends over the mid- to long-term. Recently, we have sold domestic stocks (along with real estate) to mitigate the risk of price fluctuation. Despite such sales, domestic stocks' proportion of our portfolio has increased because of rising asset values.

For the year ending March 31, 2016, we plan to increase our investments in foreign currency denominated bonds while managing the allocation of investments in domestic bonds due to the low interest rate environment in Japan, with the aim of ensuring a favorable investment spread and larger total return. We also intend to actively invest in emerging and developing sectors, both domestically and overseas, to diversify our investment portfolio. Our asset allocation and investment plan for the year ending March 31, 2016 by asset class are as follows:

- *Domestic loans*. We intend to generally decrease our extension of domestic loans while focusing on capturing excess return and strategically extending loans in growing fields based on the "Japan Revitalization Strategy," a growth strategy announced by the Japanese government.
- *Domestic bonds*. We intend to generally decrease our investments in domestic bonds in light of the low interest rate environment in Japan, but plan to increase our holdings of domestic bonds if interest rates rise.
- *Foreign currency denominated bonds*. We intend to generally increase our investments in foreign bonds, taking into account interest and exchange rate trends and movements. We expect to actively invest in open foreign currency denominated bonds, while taking a more prudent approach with respect to hedged foreign currency denominated bonds.
- *Domestic stocks*. We intend to slightly decrease our investments in domestic stocks, while considering potential new investments through funds.
- *Foreign securities*. We intend to generally increase our investments in foreign securities, including bonds and equities, managed by third-party investment managers, based on market conditions.
- *Real estate*. We intend to generally decrease our real estate holdings by disposing of unprofitable properties. We also plan to undertake renovations at existing facilities with the aim of increasing rent income.

We are exposed to a variety of sources of investment risk, including:

- market risk associated with changes in interest rates, stock prices and foreign exchange rates;
- credit risk relating to the potential for losses incurred when the value of assets, primarily loans and bonds, declines or disappears due to a deterioration in the financial condition of a party to whom credit has been extended; and
- real estate risk relating to the potential for a decrease in real estate income because of a decline in rent, a decrease in number of tenants or other factors or a general decline in real estate prices due to market forces.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

Regulatory Restrictions on Investments

Japanese regulations previously restricted the percentage of general account assets that could be allocated to specified types of investments. However, these provisions were abolished in April 2012, and currently there are no regulations restricting the percentage of general account assets that may be allocated to domestic or overseas investments.

Japanese regulations do not impose restrictions on the maximum percentage of assets that may be allocated to specific classes of investments within separate account assets. The Insurance Business Act restricts us from making certain types of specified investments. See “Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Restrictions on Scope of Business—Restrictions on investments.”

Overall Composition of Investments

The following table summarizes invested assets and other assets in our general account as of the dates indicated:

	As of March 31,						As of June 30,	
	2013		2014		2015		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)							
Cash, deposits and call loans	¥ 552.2	1.7%	¥ 393.0	1.2%	¥ 507.3	1.4%	¥ 459.6	1.3%
Receivables under resale agreements	–	–	–	–	–	–	–	–
Receivables under securities borrowing transactions	–	–	–	–	–	–	–	–
Monetary claims bought	265.2	0.8	233.6	0.7	229.5	0.6	230.6	0.6
Trading securities	–	–	–	–	–	–	–	–
Assets held in trust	–	–	–	–	–	–	–	–
Securities	24,902.2	77.2	26,429.3	78.9	28,433.4	79.8	28,882.1	80.3
Domestic bonds	16,541.7	51.3	16,905.3	50.5	16,566.4	46.5	16,772.6	46.6
Domestic stocks	3,042.0	9.4	3,352.3	10.0	4,213.4	11.8	4,436.8	12.3
Foreign securities	5,204.9	16.1	5,982.3	17.9	7,399.5	20.8	7,414.4	20.6
Foreign bonds	3,988.3	12.4	4,533.8	13.5	5,812.2	16.3	5,906.4	16.4
Foreign stocks	1,216.6	3.8	1,448.4	4.3	1,587.2	4.5	1,508.0	4.2
Others	113.4	0.4	189.3	0.6	254.0	0.7	258.2	0.7
Loans	5,198.1	16.1	5,136.7	15.3	5,052.2	14.2	5,012.6	13.9
Policy loans	317.6	1.0	304.6	0.9	289.9	0.8	285.0	0.8
Financial loans	4,880.4	15.1	4,832.1	14.4	4,762.3	13.4	4,727.6	13.1
Real estate(1)	962.9	3.0	937.6	2.8	916.5	2.6	915.0	2.5
Deferred tax assets	–	–	–	–	–	–	–	–
Others	369.3	1.1	382.2	1.1	479.2	1.3	463.2	1.3
Allowance for possible loan losses	(9.5)	(0.0)	(8.1)	(0.0)	(5.0)	(0.0)	(5.3)	(0.0)
Total	¥32,240.7	100.0%	¥33,504.5	100.0%	¥ 35,613.3	100.0%	¥35,958.0	100.0%
Assets denominated in foreign currencies	¥ 4,258.6	13.2%	¥ 5,008.4	14.9%	¥ 6,452.5	18.1%	¥ 6,584.6	18.3%

Note:

(1) Real estate reflects the total value of land, buildings and construction in progress.

The following table summarizes changes in invested assets and other assets in our general account as of each date shown from the end of the previous fiscal year:

	As of March 31,		
	2013	2014	2015
	(Billions of yen)		
Cash, deposits and call loans	¥ 43.2	¥ (159.1)	¥ 114.2
Receivables under resale agreements	–	–	–
Receivables under securities borrowing transactions	–	–	–
Monetary claims bought	(3.8)	(31.6)	(4.0)
Trading securities	–	–	–
Assets held in trust	–	–	–
Securities	3,343.7	1,527.1	2,004.1
Domestic bonds	1,373.3	363.5	(338.8)
Domestic stocks	387.9	310.2	861.1
Foreign securities	1,539.8	777.3	1,417.2
Foreign bonds	1,380.7	545.5	1,278.3
Foreign stocks	159.0	231.7	138.8
Others	42.6	75.9	64.6
Loans	230.6	(61.3)	(84.5)
Policy loans	(14.5)	(13.0)	(14.7)
Financial loans	245.1	(48.3)	(69.8)
Real estate[1]	(5.0)	(25.3)	(21.0)
Deferred tax assets	(144.1)	–	–
Others	(186.7)	12.8	97.0
Allowance for possible loan losses	1.1	1.3	3.1
Total	¥ 3,279.0	¥ 1,263.8	¥ 2,108.7
Assets denominated in foreign currencies	¥ 1,535.5	¥ 749.8	¥ 1,444.0

Note:

(1) Real estate reflects the total value of land, buildings and construction in progress.

Investment Results

The following table sets forth the average rates of return based on net investment income for each of the components of our investment portfolio in our general account for the periods indicated:

	Year ended March 31,		
	2013	2014	2015
Cash, deposits and call loans	0.08%	0.10%	0.09%
Receivables under resale agreements	–	–	–
Receivables under securities borrowing transactions	–	–	–
Monetary claims bought	2.23	2.03	2.06
Trading securities	–	–	–
Assets held in trust	–	–	–
Securities	2.56	3.07	3.08
Domestic bonds	2.55	3.02	2.62
Domestic stocks	1.47	4.04	4.86
Foreign securities	3.12	2.84	3.85
Foreign bonds	2.91	2.59	3.34
Foreign stocks	3.70	3.62	5.40
Loans	2.03	2.01	1.92
Financial loans	1.85	1.85	1.77
Real estate[(2)]	1.66	1.70	1.70
Total	2.33	2.71	2.72
Overseas investments[(3)]	3.09%	2.82%	3.80%

Notes:

(1) The rate of return is calculated by deducting investment expenses from the ordinary gain (loss) on the investment, and dividing the result by the average daily balance.

(2) Real estate reflects the total value of land, buildings and construction in progress.

(3) Overseas investments include assets in foreign currencies, loans for non-residents issued in yen and foreign bonds issued in yen.

Average Balance of Assets

The following table sets forth the average balance of assets in our general account for each of the periods indicated, calculated based on the averages of daily ending balances:

	Year ended March 31,		
	2013	2014	2015
	(Billions of yen)		
Cash, deposits and call loans	¥ 371.1	¥ 270.6	¥ 229.7
Receivables under resale agreements	–	–	–
Receivables under securities borrowing transactions	–	–	–
Monetary claims bought	267.2	256.8	242.6
Trading securities	–	–	–
Assets held in trust	–	–	–
Securities	21,225.2	22,560.8	23,674.1
Domestic bonds	14,817.0	15,602.3	16,278.2
Domestic stocks	1,987.2	1,911.4	1,795.8
Foreign securities	4,348.2	4,907.2	5,424.8
Foreign bonds	3,210.8	3,691.8	4,076.2
Foreign stocks	1,137.3	1,215.3	1,348.6
Loans	5,053.2	5,117.3	5,110.7
Financial loans	4,728.2	4,806.4	4,813.8
Real estate[(2)]	967.4	960.5	940.2
Total	¥ 28,743.0	¥ 30,083.6	¥ 31,212.4
Overseas investments[(3)]	¥ 4,495.8	¥ 5,065.8	¥ 5,574.7

Notes:

(1) Average balances are calculated based on book value.

(2) Real estate reflects the total value of land, buildings and construction in progress.
(3) Overseas investments include assets in foreign currencies, loans for non-residents issued in yen and foreign bonds issued in yen.

Unrealized Gains and Losses

Our investments in securities other than subsidiaries and affiliates are classified into four categories:

- trading securities, which are securities held for the purpose of generating profits through trading of such securities;
- held-to-maturity debt securities, which are debt securities that are expected to be held to maturity;
- policy-reserve-matching bonds, which are debt securities that are held long-term to match our policy reserves; and
- available-for-sale securities, which are all other securities.

Marketable available-for-sale securities are stated at fair value. Unrealized gains and losses on marketable available-for-sale securities are included in a separate component of net assets, net of income taxes, unless a decline in fair value is considered not temporary, in which case the decline is recognized in earnings as a valuation loss. Held-to-maturity debt securities, policy-reserve-matching bonds and available-for-sale securities without readily obtainable fair value are stated at amortized cost or book value. For the purpose of computing realized gains and losses, cost is determined on a moving average method.

The table below shows the unrealized gains and losses related to our held-to-maturity debt securities as of June 30, 2015:

	As of June 30, 2015		
	Carrying value	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Held-to-maturity debt securities	¥ 5,138.2	¥ 5,739.9	¥ 601.6

The following table sets forth the unrealized gains and losses related to our policy-reserve-matching bonds as of June 30, 2015:

	As of June 30, 2015		
	Carrying value	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Policy-reserve-matching bonds	¥ 7,127.4	¥ 7,690.9	¥ 563.5

The following table sets forth the unrealized gains and losses related to our marketable available-for-sale securities as of June 30, 2015:

	As of June 30, 2015		
	Amortized cost	Fair value	Net unrealized gains (losses)
	(Billions of yen)		
Marketable available-for-sale securities:			
Domestic bonds	¥ 4,464.8	¥ 4,834.4	¥ 369.5
Domestic stocks	1,644.2	4,293.8	2,649.6
Foreign securities	5,477.2	6,580.3	1,103.1
Foreign bonds	4,891.5	5,780.8	889.2
Foreign stocks	585.6	799.5	213.9
Other securities	197.6	234.1	36.4
Monetary claims bought	27.1	28.8	1.6
Negotiable deposits	15.0	14.9	(0.0)
Total	¥ 11,826.0	¥ 15,986.5	¥ 4,160.5

Notes:

(1) The above table shows information regarding securities and other instruments with market price. Trading securities are not included.

(2) The above table includes investment assets that are considered appropriate to be treated as securities under the FIEA.

The following table sets forth stocks of our subsidiaries and affiliates and available-for-sale securities that cannot be assigned a market value as of June 30, 2015:

	As of June 30, 2015
	Carrying value
	(Billions of yen)
Stocks of subsidiaries and affiliates	¥ 288.5
Other securities	585.5
Unlisted domestic stocks	48.2
Unlisted foreign stocks	527.1
Other foreign securities	1.7
Other	8.3
Total	¥ 874.0

As of March 31, 2013, 2014 and 2015, net unrealized gains on real estate amounted to ¥261.2 billion, ¥268.4 billion and ¥290.5 billion, respectively. Net unrealized gains on real estate are comprised of the sum of our land account and leasehold account, and valuation of real estate is calculated with reference to appraisal values, land assessments (*rosen-ka*) and real estate prices (*koji-kakaku*).

Domestic Bonds

Domestic bonds consist mainly of publicly traded debt securities and debt securities with readily obtainable market value and represented 51.3%, 50.5%, 46.5% and 46.6% of total assets in our general account as of March 31, 2013, 2014 and 2015 and June 30, 2015, respectively. Our domestic bonds had an average yield of 2.55%, 3.02% and 2.62% for the years ended March 31, 2013, 2014 and 2015, respectively.

By carrying value, approximately 68.4% of our domestic bonds in our general accounts were either policy-reserve-matching bonds or held-to-maturity securities as of June 30, 2015. We invest mainly in debt securities issued by Japanese national and local governments, other public entities and corporations which, based on our internal analysis, have high credit quality. None of the domestic bonds we own were in default as of June 30, 2015.

The following table sets forth the amount of domestic bonds we owned in our general account as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
National government bonds	¥ 13,885.9	83.9%	¥ 14,200.2	84.0%	¥ 14,023.3	84.6%
Local government bonds	1,033.7	6.2	928.3	5.5	757.9	4.6
Corporate bonds	1,622.0	9.8	1,776.7	10.5	1,785.1	10.8
Public corporation bonds	504.9	3.1	489.1	2.9	485.3	2.9
Total	¥ 16,541.7	100.0%	¥ 16,905.3	100.0%	¥ 16,566.4	100.0%

Note:

(1) Available-for-sale securities are stated at fair value.

The following tables set forth the contractual maturity dates for domestic bonds in our general account as of the dates indicated:

	As of March 31, 2013						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years(1)	Total
	(Billions of yen)						
National government bonds	¥ 456.0	¥ 693.3	¥ 275.2	¥ 442.1	¥ 1,811.1	¥10,208.0	¥13,885.9
Local government bonds	100.4	240.8	191.7	237.0	9.2	254.4	1,033.7
Corporate bonds	34.3	192.6	173.2	164.6	127.7	929.3	1,622.0
Total	¥ 590.8	¥ 1,126.8	¥ 640.2	¥ 843.9	¥1,948.0	¥ 11,391.7	¥16,541.7

Note:

(1) Over 10 years includes securities with no fixed maturity.

	As of March 31, 2014						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years(1)	Total
	(Billions of yen)						
National government bonds	¥ 413.9	¥ 352.1	¥ 482.1	¥ 417.7	¥2,134.8	¥10,399.3	¥14,200.2
Local government bonds	171.0	151.3	278.6	73.0	5.1	249.1	928.3
Corporate bonds	121.3	134.8	233.3	109.8	168.3	1,008.9	1,776.7
Total	¥ 706.4	¥ 638.3	¥ 994.1	¥ 600.6	¥2,308.3	¥ 11,657.3	¥16,905.3

Note:

(1) Over 10 years includes securities with no fixed maturity.

	As of March 31, 2015						
	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years(1)	Total
	(Billions of yen)						
National government bonds	¥ 276.9	¥ 268.5	¥ 512.5	¥1,190.5	¥1,506.9	¥10,267.7	¥14,023.3
Local government bonds	68.3	188.3	233.4	9.2	5.2	253.2	757.9
Corporate bonds	61.3	168.2	206.1	151.3	154.6	1,043.3	1,785.1
Total	¥ 406.6	¥ 625.2	¥ 952.1	¥ 1,351.1	¥1,666.8	¥11,564.4	¥16,566.4

Note:

(1) Over 10 years includes securities with no fixed maturity.

Loans

Loans represented 16.1%, 15.3%, 14.2% and 13.9% of total assets in our general account as of March 31, 2013, 2014 and 2015 and June 30, 2015, respectively, and consist mainly of fixed interest rate, unsecured loans to large corporations. Loans include loans to borrowers located outside of Japan, which represented 2.7%, 2.5% and 2.3% of the loans in our general account, excluding policy loans, as of March 31, 2013, 2014 and 2015, respectively.

Each proposed loan is rated based on an evaluation of the ability of the borrower, and the guarantor in the case of a guaranteed loan, to repay the loan, as well as the specific terms of the loan. We closely monitor loans that we consider to have higher than normal credit risk.

The following table shows the amounts of loans in our general account, excluding policy loans, based on the type of loan as of the dates indicated:

	As of March 31,		
	2013	2014	2015
	Carrying value	Carrying value	Carrying value
	(Billions of yen)		
Corporate loans	¥4,594.5	¥4,562.4	¥4,510.8
To domestic corporations	4,555.4	4,525.7	4,479.4
Loans to governments and supranationals	76.9	64.2	58.9
Loans to public organizations	181.2	179.8	169.0
Housing loans	3.7	2.9	2.2
Consumer loans	22.3	21.3	20.2
Other loans	1.5	1.2	1.0
Total	¥4,880.4	¥4,832.1	¥4,762.3
Loans to non-residents	130.0	122.2	111.5

The following table sets forth the amounts of loans in our general account, excluding policy loans, based on the type of collateral as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)					
Secured loans	¥ 24.7	0.5%	¥ 24.1	0.5%	¥ 17.3	0.4%
Loans secured by securities	4.5	0.1	4.4	0.1	4.3	0.1
Loans secured by real estate, movables and foundations	19.9	0.4	18.5	0.4	11.9	0.3
Loans secured by claims	0.3	0.0	1.0	0.0	1.1	0.0
Guarantee loans	89.9	1.8	92.8	1.9	101.5	2.1
Fiduciary loans	4,739.6	97.1	4,690.8	97.1	4,620.9	97.0
Other loans	26.1	0.5	24.3	0.5	22.4	0.5
Total[(1)]	¥ 4,880.4	100.0%	¥ 4,832.1	100.0%	¥ 4,762.3	100.0%

Note:

(1) Of the total amounts of loans, ¥641.5 billion, ¥574.5 billion and ¥491.3 billion were subordinated loans as of March 31, 2013, 2014 and 2015, respectively.

We make loans to corporations across a wide range of industries, with a significant portion of total loans being to corporations in the financial services, utilities and wholesale trades. We also make loans to various government and non-government entities in Japan. The following table shows the amounts of loans to corporations in our general account based on industry as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)					
Domestic						
Manufacturing	¥ 1,037.8	21.3%	¥ 980.6	20.3%	¥ 919.4	19.3%
Food	71.9	1.5	68.1	1.4	72.7	1.5
Textiles and apparel	33.2	0.7	24.9	0.5	20.2	0.4
Wood, wood products	–	–	–	–	–	–
Pulp and paper	63.1	1.3	58.1	1.2	53.8	1.1
Printing	5.5	0.1	5.4	0.1	5.3	0.1
Chemicals	125.5	2.6	128.0	2.6	121.3	2.5
Oil and coal products	74.9	1.5	76.1	1.6	75.6	1.6
Ceramics, soil and stone	87.7	1.8	81.8	1.7	80.6	1.7
Iron and steel	164.3	3.4	161.7	3.3	148.8	3.1
Non-ferrous metals	38.2	0.8	27.7	0.6	24.7	0.5
Metal products	4.4	0.1	3.3	0.1	2.7	0.1
General purpose, production, and industrial machinery	60.4	1.2	67.7	1.4	64.9	1.4
Electric appliances	130.7	2.7	124.2	2.6	112.3	2.4
Transportation equipment	169.9	3.5	146.5	3.0	129.0	2.7
Other manufacturing products	7.3	0.2	6.4	0.1	6.8	0.1
Agriculture and forestry	–	–	–	–	–	–
Fishery	0.1	0.0	–	–	–	–
Mining, quarrying and gravel mining	0.2	0.0	0.2	0.0	0.1	0.0
Construction	24.3	0.5	22.3	0.5	19.8	0.4
Electric power, gas, heat supply and waterworks	687.4	14.1	735.8	15.2	721.5	15.2
Information and communication	106.3	2.2	104.7	2.2	94.7	2.0
Logistics and postal services	321.0	6.6	330.3	6.8	333.5	7.0
Wholesale trade	958.4	19.6	941.5	19.5	941.6	19.8
Retail trade	31.6	0.6	31.5	0.7	25.1	0.5
Financing and insurance	1,079.5	22.1	1,044.6	21.6	1,066.4	22.4
Real estate	313.7	6.4	311.8	6.5	311.6	6.5
Rental and leasing services	130.2	2.7	149.5	3.1	163.2	3.4
Professional, scientific, and technical services	20.0	0.4	20.7	0.4	20.7	0.4
Lodging	2.9	0.1	2.7	0.1	2.3	0.0
Restaurants	0.7	0.0	0.6	0.0	0.7	0.0
Lifestyle and leisure	2.3	0.0	2.2	0.0	2.7	0.1
Education and training	1.5	0.0	1.3	0.0	1.0	0.0
Medical and welfare	0.3	0.0	0.3	0.0	0.1	0.0
Other services	2.8	0.1	2.3	0.0	1.5	0.0
Local organizations and public entities	2.6	0.1	1.9	0.0	1.4	0.0
Individuals (residential / consumption / local taxes / other)	26.1	0.5	24.3	0.5	22.4	0.5
Subtotal	¥ 4,750.4	97.3%	¥ 4,709.9	97.5%	¥ 4,650.7	97.7%
Overseas						
Governments and public entities	¥ 90.9	1.9%	¥ 85.4	1.8%	¥ 80.2	1.7%
Financial institutions	33.9	0.7	31.5	0.7	23.2	0.5
Commerce and industry	5.2	0.1	5.1	0.1	8.0	0.2
Subtotal	130.0	2.7	122.2	2.5	111.5	2.3
Total	¥ 4,880.4	100.0%	¥ 4,832.1	100.0%	¥ 4,762.3	100.0%

The following table sets forth the amounts of loans in our general account based on interest rate type and contractual maturity dates as of the dates indicated:

	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years(1)	Total
	(Billions of yen)						
As of March 31, 2013:							
Variable-rate loans	¥ 6.6	¥ 21.3	¥ 31.8	¥ 116.6	¥ 58.0	¥ 7.5	¥ 242.0
Fixed-rate loans	335.1	840.2	863.9	621.7	705.7	1,271.5	4,638.4
Total	¥ 341.7	¥ 861.5	¥ 895.7	¥ 738.4	¥ 763.8	¥ 1,279.1	¥ 4,880.4
As of March 31, 2014:							
Variable-rate loans	¥ 3.7	¥ 28.7	¥ 20.0	¥ 76.4	¥ 53.0	¥ 9.7	¥ 191.7
Fixed-rate loans	383.2	900.6	782.1	470.3	802.2	1,301.7	4,640.3
Total	¥ 386.9	¥ 929.3	¥ 802.1	¥ 546.8	¥ 855.2	¥ 1,311.5	¥ 4,832.1
As of March 31, 2015:							
Variable-rate loans	¥ 18.5	¥ 24.7	¥ 7.7	¥ 47.1	¥ 35.8	¥ 9.3	¥ 143.4
Fixed-rate loans	406.1	862.0	660.6	472.1	849.1	1,368.6	4,618.8
Total	¥ 424.7	¥ 886.8	¥ 668.4	¥ 519.3	¥ 884.9	¥ 1,377.9	¥ 4,762.3

Note:

(1) Over 10 years includes securities with no fixed maturity.

The following table sets forth the total number of corporate borrowers located in Japan and the amount of loans to such borrowers in our general account, together with a breakdown based on the size of the borrower, as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Number/ amount	% of total	Number/ amount	% of total	Number/ amount	% of total
	(Billions of yen, except percentages and number of borrowers)					
Large companies:(1)						
Number of borrowers	677	62.0%	682	62.3%	693	64.2%
Amount of loans	¥ 4,215.4	92.5	¥ 4,172.8	92.2	¥ 4,106.2	91.7
Medium-sized companies:(2)						
Number of borrowers	77	7.1	86	7.9	77	7.1
Amount of loans	¥ 22.5	0.5	¥ 24.8	0.5	¥ 26.8	0.6
Small companies:(3)						
Number of borrowers	338	31.0	326	29.8	309	28.6
Amount of loans	¥ 317.4	7.0	¥ 328.0	7.2	¥ 346.3	7.7
Total loans to domestic companies:						
Number of borrowers	1,092	100.0	1,094	100.0	1,079	100.0
Amount of loans	¥ 4,555.4	100.0%	¥ 4,525.7	100.0%	¥ 4,479.4	100.0%

Notes:

(1) Large companies include companies with stated capital of at least ¥1 billion and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(2) Medium-sized companies include companies with stated capital of more than ¥300 million and less than ¥1 billion (more than ¥50 million and less than ¥1 billion in the case of retailers, restaurants and service companies; more than ¥100 million and less than ¥1 billion in the case of wholesalers) and more than 300 employees (more than 50 employees in the case of retailers and restaurants; more than 100 employees in the case of service companies and wholesalers).

(3) Small companies include all other companies.

The following table is a breakdown of foreign loans in our general account as of March 31, 2013, 2014 and 2015, based on the location of the borrower. These loans were all either denominated in yen or, for loans denominated in a foreign currency, were currency-hedged by swaps as of each of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)					
Foreign loans:						
North America	¥ 23.0	17.7%	¥ 23.0	18.8%	¥ 26.0	23.3%
Europe	42.5	32.7	49.5	40.5	41.5	37.2
Oceania	–	–	–	–	–	–
Asia	3.4	2.6	3.0	2.5	2.7	2.4
Central and South America	2.2	1.7	0.1	0.1	0.09	0.1
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	58.9	45.3	46.4	38.0	41.2	37.0
Total	¥ 130.0	100.0%	¥ 122.2	100.0%	¥ 111.5	100.0%

We classify problem loans according to three different standards described below.

Disclosed claims based on categories of borrowers. We disclose our commercial loan assets (including principal, lent securities, accrued interest, suspense payments and guarantees of obligations) based on the following categories of obligors: (i) loans to legally bankrupt and substantially bankrupt borrowers, (ii) loans with collection risk, (iii) loans requiring special attention and (iv) normal loans. The following table sets forth our loans in our general account as classified on the foregoing basis as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value	% of total loan assets	Carrying value	% of total loan assets	Carrying value	% of total loan assets
	(Billions of yen, except percentages)					
Loans to legally bankrupt and substantially bankrupt borrowers(1)	¥ 0.8	0.0%	¥ 0.7	0.0%	¥ 0.5	0.0%
Loans with collection risk(2)	2.1	0.0	2.1	0.0	2.0	0.0
Loans requiring special attention(3)	19.1	0.2	18.3	0.3	17.3	0.3
Subtotal	22.1	0.3	21.3	0.3	19.9	0.3
Normal loans(4)	6,901.3	99.7	6,859.9	99.7	6,697.7	99.7
Total	¥ 6,923.5	100.0%	¥ 6,881.2	100.0%	¥ 6,717.7	100.0%

Notes:

(1) Loans to legally bankrupt and substantially bankrupt borrowers are loans to borrowers that have been found or are likely to be found legally bankrupt through filings for the commencement of bankruptcy, corporate reorganization or civil rehabilitation proceedings, and loans to borrowers of similar status.

(2) Loans with collection risk are loans with a high probability of failure in the payment of principal or interest under terms of the loan agreement due to the borrower's deteriorated financial status and/or business performance. These loans exclude loans to legally bankrupt and substantially bankrupt borrowers.

(3) Loans requiring special attention consist of loans past due three months or more and restructured loans. Loans past due three months or more are loans with principal or interest in arrears for three or more months from the day following the payment date established by the loan agreement (excluding the loans described above in notes (1) and (2).). Restructured loans are loans with favorable concessions given to the borrower (including interest reduction or exemption, relaxed interest payments, relaxed principal repayments and loan forgiveness) in order to support the rebuilding of operations at the borrower. Restructured loans exclude the loans described above in notes (1) and (2) as well as loans past due three months or more.

(4) Normal loans are loans to borrowers whose financial status and business performance exhibit no particular problems. These loans exclude the loans described above in notes (1), (2), and (3).

Disclosed claims based on repayment condition. We disclose our risk-monitored loans in our general account, as defined in the Insurance Business Act, based on the repayment condition of principal on our loans as follows:

	As of March 31,					
	2013		2014		2015	
	Carrying value(1)	% of total risk-monitored loans	Carrying value(1)	% of total risk-monitored loans	Carrying value(1)	% of total risk-monitored loans
	(Billions of yen, except percentages)					
Loans to bankrupt borrowers(2)	¥ 0.0	0.0%	¥ 0.0	0.0%	–	–
Past due loans(3)	3.0	13.9	2.9	14.1	¥ 2.6	13.3%
Loans past due three months or more(4)	–	–	–	–	–	–
Restructured loans(5)	18.8	86.1	18.0	85.9	17.0	86.7
Total	¥ 21.8	100.0%	¥ 21.0	100.0%	¥ 19.7	100.0%

Notes:

(1) Loans to bankrupt borrowers and substantially bankrupt borrowers including collateralized and guaranteed loans are directly deducted from total loans based on estimated uncollectible amounts. This is calculated as the remainder after deducting any amounts expected to be collected through the disposal of collateral or the execution of guarantees. The amounts recognized in the financial statements were ¥123 million for loans to bankrupt borrowers and ¥16 million for past due loans as of March 31, 2013; ¥44 million for loans to bankrupt borrowers and ¥14 million for past due loans as of March 31, 2014; and ¥44 million for loans to bankrupt borrowers and ¥5 million for past due loans as of March 31, 2015.

(2) Loans to bankrupt borrowers are loans to borrowers that are legally bankrupt through filings for proceedings under the Corporate Reorganization Law, Civil Rehabilitation Law, Bankruptcy Law or Company Law; loans to borrowers with notes suspended from trading on exchanges; and loans to borrowers that have filed for similar legal proceedings based on the laws of other jurisdictions. Interest is not accrued as income on these loans, which remain in arrears on principal and interest payments with little likelihood for the recovery of principal or interest.

(3) Past due loans are loans that do not accrue interest. These loans exclude loans to bankrupt borrowers and loans with modified interest payment terms and conditions extended in order to support the borrowers or business restructuring.

(4) Loans past due three months or more are loans with principal or interest in arrears for three or more months from the day following the payment date established by the loan agreement. These loans exclude loans to bankrupt borrowers and past due loans.

(5) Restructured loans are loans with favorable concessions given to the borrower (including interest reduction or exemption, relaxed interest payments, relaxed principal repayments and loan forgiveness) in order to support the rebuilding of operations at the borrower. These loans exclude loans to bankrupt borrowers, past due loans, and loans past due three months or more.

Self-assessment of loan assets. The problem loan classifications under the categories of borrowers and repayment situations described above are derived from classifications of both borrowers and individual loans under the self-assessment guidelines provided under the "Inspection Manual of Insurance Companies" issued by the FSA. We review our self-assessment semi-annually.

Domestic Stocks

Domestic stocks represented 9.4%, 10.0%, 11.8% and 12.3% of total assets in our general account as of March 31, 2013, 2014 and 2015 and June 30, 2015, respectively, and consisted mainly of investments in common stock. The break-even point for our equity holdings, which was approximately 7,800 on the Nikkei 225 Index as of June 30, 2015 assuming that the market value of our stock portfolio changes in parallel to the Nikkei 225 Index, was below the then current market level.

We own stocks of domestic corporations across a wide range of industries. The following table sets forth the amounts of our domestic stocks in our general account, based on the industry of the issuer as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
Fishery, agricultural and forestry	¥ 0.7	0.0%	¥ 0.7	0.0%	¥ 0.7	0.0%
Mining	–	–	–	–	–	–
Construction	44.6	1.5	55.3	1.7	71.6	1.7
Manufacturing:						
Food	120.5	4.0	120.7	3.6	176.6	4.2
Textiles and apparel	18.6	0.6	19.2	0.6	22.8	0.5
Pulp and paper	3.5	0.1	3.9	0.1	3.9	0.1
Chemicals	211.4	7.0	223.0	6.7	319.2	7.6
Pharmaceuticals	48.2	1.6	66.5	2.0	103.6	2.5
Oil and coal products	6.3	0.2	6.0	0.2	5.6	0.1
Rubber products	4.9	0.2	6.4	0.2	8.6	0.2
Glass and ceramic products	96.3	3.2	139.2	4.2	178.5	4.2
Iron and steel	63.8	2.1	70.0	2.1	84.4	2.0
Non-ferrous metals	11.7	0.4	13.4	0.4	17.9	0.4
Metal products	16.4	0.5	18.9	0.6	20.6	0.5
Machinery	186.1	6.1	218.1	6.5	296.1	7.0
Electric appliances	271.5	8.9	368.2	11.0	467.3	11.1
Transportation equipment	404.9	13.3	439.7	13.1	551.6	13.1
Precision instruments	92.9	3.1	95.6	2.9	120.0	2.8
Other products	23.9	0.8	27.4	0.8	36.5	0.9
Electric power and gas	116.8	3.8	131.2	3.9	147.7	3.5
Transportation, information and communication:						
Land transportation	136.1	4.5	139.1	4.2	204.9	4.9
Marine transportation	8.8	0.3	10.6	0.3	12.7	0.3
Air transportation	1.2	0.0	1.3	0.0	2.3	0.1
Warehousing and harbor transportation services	26.4	0.9	23.0	0.7	29.0	0.7
Information and communication	20.5	0.7	21.2	0.6	23.1	0.6
Trade and Services:						
Wholesale trade	200.2	6.6	207.3	6.2	250.0	5.9
Retail trade	27.4	0.9	27.7	0.8	38.7	0.9
Finance and insurance:						
Banking	479.6	15.8	473.5	14.1	515.8	12.2
Securities and trading	17.1	0.6	18.1	0.5	18.5	0.4
Insurance	132.9	4.4	138.7	4.1	166.7	4.0
Other financial services	45.5	1.5	52.4	1.6	69.2	1.6
Real estate	177.5	5.8	189.2	5.6	208.5	4.9
Services	24.0	0.8	25.4	0.8	39.0	0.9
Total	¥ 3,042.0	100.0%	¥ 3,352.3	100.0%	¥ 4,213.4	100.0%

Note:

(1) Available-for-sale securities are stated at fair value.

Foreign Investments

Foreign investments represented 16.1%, 17.9% and 20.8% of total assets in our general account as of March 31, 2013, 2014 and 2015, respectively, and consisted mainly of investments in bonds issued by foreign governments and agencies. Cash and cash equivalents denominated in currencies other than yen are categorized under "Cash and cash equivalents," loans to borrowers located outside of Japan are categorized under "Loans," and neither is included in foreign investments unless otherwise noted.

The average yield on foreign investments (interest, dividends and realized gains and losses) was 3.12%, 2.84% and 3.85% for the years ended March 31, 2013, 2014 and 2015, respectively.

The following table sets forth the amounts of foreign investments in our general account (including non-yen-denominated cash, cash equivalents and other assets) classified as denominated in foreign currency, swapped into yen or denominated in yen as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)					
Foreign currency denominated assets:						
Foreign bonds	¥ 3,651.9	68.1%	¥ 4,168.9	67.8%	¥ 5,481.1	71.8%
Foreign stocks	582.6	10.9	805.5	13.1	933.7	12.2
Cash and cash equivalents	24.0	0.4	33.9	0.6	37.6	0.5
Subtotal	4,258.6	79.5	5,008.4	81.5	6,452.5	84.5
Foreign currency denominated assets with fixed yen value:						
Loans	–	–	10.2	0.2	82.8	1.1
Others	–	–	0.0	0.0	0.0	0.0
Subtotal	–	–	10.2	0.2	82.8	1.1
Japanese yen-denominated assets:						
Loans to non-residents	130.0	2.4	122.2	2.0	111.5	1.5
Foreign bonds	336.3	6.3	364.9	5.9	331.1	4.3
Others	634.0	11.8	642.8	10.5	653.4	8.6
Subtotal	1,100.4	20.5	1,129.9	18.4	1,096.2	14.4
Net overseas loans and investment	¥ 5,359.1	100.0%	¥ 6,148.7	100.0%	¥ 7,631.6	100.0%
Overseas real estate	¥ 24.8	0.5%	¥ 24.8	0.4%	¥ 24.8	0.3%

The following table sets forth the amounts of foreign investments denominated in a foreign currency in our general account based on the type of foreign currency as of the dates indicated:

	As of March 31,					
	2013		2014		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages)					
U.S. dollar	¥ 3,575.8	84.0%	¥ 3,925.9	78.4%	¥ 5,195.0	80.5%
Euro	251.2	5.9	574.1	11.5	558.5	8.7
Others	431.5	10.1	508.3	10.1	698.9	10.8
Net foreign currency denominated assets	¥ 4,258.6	100.0%	¥ 5,008.4	100.0%	¥ 6,452.5	100.0%

The following tables set forth the amounts of foreign investments in our general account based on the location of the issuer as of the dates indicated:

	As of March 31, 2013					
	Foreign bonds		Foreign stocks		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 3,048.9	76.4%	¥ 46.6	3.8%	¥ 3,095.6	59.5%
Europe	425.8	10.7	132.2	10.9	558.0	10.7
Oceania	279.1	7.0	–	–	279.1	5.4
Asia	54.6	1.4	24.6	2.0	79.3	1.5
Latin America and the Caribbean(2)	21.0	0.5	1,013.1	83.3	1,034.2	19.9
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	158.5	4.0	–	–	158.5	3.0
Total	¥ 3,988.3	100.0%	¥ 1,216.6	100.0%	¥ 5,204.9	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Latin America and the Caribbean consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets. Other than the foregoing, we generally do not make direct investments in securities of Latin American and Caribbean issuers.

	As of March 31, 2014					
	Foreign bonds		Foreign stocks		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 3,311.4	73.0%	¥ 50.2	3.5%	¥ 3,361.7	56.2%
Europe	719.7	15.9	202.8	14.0	922.6	15.4
Oceania	258.7	5.7	–	–	258.7	4.3
Asia	54.4	1.2	103.1	7.1	157.5	2.6
Latin America and the Caribbean(2)	43.1	1.0	1,092.1	75.4	1,135.2	19.0
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	146.4	3.2	–	–	146.4	2.4
Total	¥ 4,533.8	100.0%	¥ 1,448.4	100.0%	¥ 5,982.3	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Latin America and the Caribbean consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets. Other than the foregoing, we generally do not make direct investments in securities of Latin American and Caribbean issuers.

	As of March 31, 2015					
	Foreign bonds		Foreign stocks		Total	
	Carrying value(1)	% of total	Carrying value(1)	% of total	Carrying value(1)	% of total
	(Billions of yen, except percentages)					
North America	¥ 4,400.6	75.7%	¥ 52.8	3.3%	¥ 4,453.4	60.2%
Europe	861.8	14.8	187.3	11.8	1,049.2	14.2
Oceania	265.4	4.6	–	–	265.4	3.6
Asia	58.9	1.0	110.6	7.0	169.6	2.3
Latin America and the Caribbean(2)	72.5	1.2	1,236.4	77.9	1,309.0	17.7
Middle East	–	–	–	–	–	–
Africa	–	–	–	–	–	–
Supranationals	152.7	2.6	–	–	152.7	2.1
Total	¥ 5,812.2	100.0%	¥ 1,587.2	100.0%	¥ 7,399.5	100.0%

Notes:

(1) Available-for-sale securities are stated at fair value.

(2) Investments in issuers located in Latin America and the Caribbean consist mainly of unit trusts, limited partnerships, limited liability companies and other special purpose vehicles located in the Cayman Islands which are managed by selected investment advisers and whose primary investments are in stocks and bonds issued in major international markets. Other than the foregoing, we generally do not make direct investments in securities of Latin American and Caribbean issuers.

The following table sets forth the contractual maturity dates for our foreign bonds and other securities in our general account as of the dates indicated:

	1 year or under	Over 1 year through 3 years	Over 3 years through 5 years	Over 5 years through 7 years	Over 7 years through 10 years	Over 10 years(1)	Total
				(Billions of yen)			
As of March 31, 2013:							
Foreign securities	¥ 45.5	¥ 151.4	¥ 237.4	¥ 562.3	¥ 834.9	¥ 3,373.1	¥ 5,204.9
Foreign bonds	43.6	151.4	236.4	562.3	834.9	2,159.4	3,988.3
Foreign stocks	1.9	–	0.9	–	–	1,213.7	1,216.6
As of March 31, 2014:							
Foreign securities	¥ 82.2	¥ 172.7	¥ 368.2	¥ 1,021.1	¥ 1,002.1	¥ 3,335.8	¥ 5,982.3
Foreign bonds	81.8	171.6	368.2	1,021.1	1,002.1	1,888.9	4,533.8
Foreign stocks	0.3	1.1	–	–	–	1,446.9	1,448.4
As of March 31, 2015:							
Foreign securities	¥ 66.3	¥ 249.0	¥ 852.7	¥ 1,769.8	¥ 951.1	¥ 3,510.3	¥ 7,399.5
Foreign bonds	66.3	248.3	852.7	1,769.8	951.1	1,923.7	5,812.2
Foreign stocks	–	0.7	–	–	–	1,586.5	1,587.2

Note:

(1) Over 10 years includes securities with no fixed maturity.

Real Estate

Real estate represented 3.0%, 2.8% and 2.6% and 2.5% of the total assets in our general account as of March 31, 2013, 2014 and 2015 and June 30, 2015, respectively. We hold real estate for both operating and investment purposes. Real estate held for operating purposes includes mainly office space and employee housing. Real estate held for investment purposes includes mainly commercial buildings held for rental income. Investments in real estate are diversified based on location within Japan and type of real estate. We manage our real estate investments to maximize rental and other income. Of our real estate investments as of March 31, 2015, 61.4% was held for leasing purposes.

The following table sets forth the amounts of real estate and other tangible fixed assets in our general account as of the dates indicated:

					As of March 31,	
	2013		2014		2015	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(Billions of yen, except percentages and numbers of buildings)					
Land	¥ 631.3	65.3%	¥ 623.4	66.2%	¥ 613.8	66.7%
Buildings	329.2	34.0	310.5	33.0	296.7	32.3
Construction in progress	2.3	0.2	3.6	0.4	6.0	0.7
Other tangible fixed assets	4.2	0.4	3.8	0.4	3.2	0.4
Total	967.1	100.0%	941.4	100.0%	919.8	100.0%
Of which assets are being leased	585.3	60.5%	570.9	60.6%	570.2	62.0%
Amount of real estate:	¥ 962.9	100.0%	¥ 937.6	100.0%	¥ 916.5	100.0%
For business operations	377.7	39.2	368.0	39.3	353.6	38.6
For lease	585.2	60.8	569.5	60.7	562.9	61.4
Number of buildings held for leasing	188	–	176	–	164	–

We owned 188, 176 and 164 buildings for rental purposes as of March 31, 2013, 2014 and 2015, respectively.

Assets Held in Trust

We held no assets in trust as of March 31, 2013, 2014 and 2015 and June 30, 2015.

Competition

We believe that competition in the Japanese insurance industry is based on a number of factors, including service, product features, price, financial strength ratings and other indicators of financial health, marketing methods and brand recognition. We face intense competition in the Japanese life insurance market from both domestic and foreign-owned life insurance companies and from large domestic financial service providers that either have their own insurance subsidiaries or enter into cooperative arrangements with major insurance companies. Some of these companies offer products not offered by us, or may have more competitive pricing, higher financial strength ratings, better brand recognition or greater financial resources than we do.

Competition has increased in the Japanese life insurance market in recent years due to industry deregulation, targeting of the bancassurance channel by competitors, an overall decline in demand for insurance products with death benefits and increased competition from foreign-owned insurance companies, among other factors. In addition, the competitive environment is continuing to evolve partly due to cross-border expansion and domestic consolidation, as evidenced by our proposed acquisition of StanCorp and the recent announcements of Sumitomo Life Insurance Company's proposed acquisition of Symetra Financial Corporation, a U.S. life insurance company listed on the New York Stock Exchange, and Nippon Life Insurance Company's proposed acquisition of Mitsui Life Insurance Company Limited. Japan's financial sector has also experienced significant consolidation in recent years, and further consolidation could affect the competitive environment for the sale and distribution of life insurance products.

Japan Post Insurance, the life insurance subsidiary of Japan Post Holdings, enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post and favorable public perception of its stability due to its association with the government. In 2008, Japan Post Insurance began agency sales of the insurance products of a number of life insurance companies. Pursuant to the amendment to the Postal Service Privatization Act, which became effective in October 2012, the once-suspended process of the privatization of Japan Post Holdings has resumed. The Postal Service Privatization Act provides that Japan Post Holdings must dispose of the shares of Japan Post Insurance as soon as practicable while paying attention to Japan Post Insurance's operating environment and the influence on Japan Post Holdings' responsibility to maintain universal services. The Japanese government is also required to dispose of its shares of Japan Post Holdings. As the first phase of the privatization, consisting of the initial public offerings of Japan Post Holdings, Japan Post Insurance and Japan Post Bank, listing applications for these companies were approved by the Tokyo Stock Exchange on September 10, 2015, and shares of the three companies are expected to be listed on November 4, 2015. Following the listing of Japan Post Insurance, Japan Post Holdings is expected to own approximately 89% of Japan Post Insurance. While the Postal Service Privatization Act provides that Japan Post Holdings must eventually dispose of all of its shares of Japan Post Insurance, Japan Post Holdings has announced its intention, as an initial matter, to reduce its equity interest in Japan Post Insurance in multiple stages to around 50%. There is uncertainty over the timing of the completion of the privatization of Japan Post Insurance. The Postal Service Privatization Act also provides that the Japanese government must maintain possession of more than one third of Japan Post Holdings' equity interest. Therefore, there may remain an appearance of government support for Japan Post Insurance, which could provide it with a competitive advantage. On the other hand, while Japan Post Insurance is currently required to obtain government approvals in order to enter into new businesses, under the Postal Service Privatization Act, if Japan Post Holdings disposes of 50% or more of its equity holdings in Japan Post Insurance, such legal restrictions may be relaxed upon submission of a notice to the government, thereby allowing Japan Post Insurance to expand its scope of business (such as through the expansion of the types of insurance policies that it sells or asset management services in which it engages). Consequently, as we compete with Japan Post Insurance in our primary business operations, we may be adversely affected by such competition. In addition, Japan Post Holdings expanded its business alliance with AFLAC, under which, among other things, Japan Post Insurance sells AFLAC cancer insurance policies and Japan Post has increased the number of post offices offering such policies. Furthermore, such competition may intensify as a result of deregulation of Japan Post Insurance accompanying such privatization or any favorable treatment given to Japan Post Insurance by the government, including the possible adoption sometime in the future of the proposed increase of the maximum coverage amount per insured for insurance products offered by Japan Post Insurance. See "The Japanese Life Insurance Industry—Japan Post Insurance and Cooperative Insurance." We may also face competition from various cooperative associations such as the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, all of which offer competing life insurance products.

Deregulatory measures have permitted securities companies and banks to engage in sales of all types of life insurance and annuity products since 2007. Any future deregulatory measures that favor large, established financial conglomerates could result in additional consolidation in Japan's financial services industry. In addition, any future deregulatory measures that further relax the regulatory barriers between different financial services industries in Japan could intensify competition within these industries. There have been new entrants to the Japanese life insurance industry that rely on the Internet as their primary sales channel and operate with a low cost structure. See "The Japanese Life Insurance Industry."

Information Technology

We use information technology to facilitate the operations of all aspects of our business, including the management of our policies, the investment of our assets and the maintenance of statistics and customer information as well as in our sales process.

We currently maintain our primary information management and retention systems at a facility in the Kanto area. A back-up system, which is regularly updated, is maintained at a facility in the Kansai area. We also maintain customer call service centers and Internet-based customer service sites.

In addition to these centralized facilities, all of our sales representatives are equipped with laptops. Starting in September 2013, we have distributed wireless Meister Mobile tablet terminals to all of our sales representatives throughout Japan that feature functions to develop insurance proposals, process applications and complete various procedures "on the spot" and paper-free. See "—Sales and Marketing—Sales Support."

Protection of Information Assets

We have established a policy to protect information assets, including client information, confidential management information and the systems that process such information. In addition, we have established specific guidelines to protect client information. In accordance with these guidelines, we strive to heighten awareness of information asset protection.

Compliance

In line with our Basic Code of Compliance, we define compliance as "acting with fairness and integrity, not only by complying with laws and internal rules, but also through the exercise of common sense."

To ensure that we never lose sight of the significance of compliance, every member of the Meiji Yasuda Life group, including subsidiaries and affiliates (the "Meiji Yasuda Life Group"), carries a card bearing our Code of Conduct, the Meiji Yasuda Sales and Service Policy, and Our Pledge so that each of us will always remain focused on our customers' needs. The Code of Conduct defines our basic compliance policies and standards, setting forth rules governing the behavior and actions of each member of the Meiji Yasuda Life Group to ensure we fulfill our customers' expectations and gain their trust. The Meiji Yasuda Sales and Service Policy lays out our motto of enhancing after-sales service, the rule of providing detailed product explanations, especially for the elderly, and other matters such as responding appropriately to antisocial forces. By doing so, it aims to ensure compliance throughout our business operations, including the solicitation of insurance, with the aim of maintaining the trust of customers. Moreover, to ensure that every officer and employee practices compliance to build closer relationships with customers, Our Pledge sets out commitments to maintain proper bearing and a strong moral compass, as well as to act appropriately with sincerity in fulfilling work responsibilities.

To develop a sophisticated compliance promotion structure, we have put the Compliance Control Department in place to carry out integrated management of compliance issues throughout the Meiji Yasuda Life Group, including subsidiaries and affiliates. In April 2014, we established the Financial Crime Prevention Office under the Compliance Control Department, with the aim of building an enhanced structure to counter financial crimes and antisocial forces through the integration of related functions. In this way, we are ensuring that appropriate countermeasures are in place against money laundering, insider trading and other financial crimes as well as the threat of antisocial forces. In cooperation with compliance managers and team leaders assigned to each business section, the Compliance Control Department also implements preemptive measures such as compliance education while dealing with compliance issues when improprieties are identified. If fraudulent behavior occurs, it is reported to the Compliance Control Department through the compliance managers and team leaders of the departments in question. We also have a Compliance Hotline, a Human Rights Hotline and a Corporate Ethics Hotline to enable those discovering such behavior to report it directly.

The Compliance Promotion Committee pursues compliance on a comprehensive basis. It plans and develops compliance systems throughout the Meiji Yasuda Life Group. Moreover, we have established the Compliance

Promotion Advisory Council, which includes external members and acts as an advisory body to the Management Council. It was set up to discuss important matters concerning compliance promotion and reflect the opinions of external experts.

Every fiscal year, we draw up a Compliance Program setting forth concrete action plans aimed at promoting compliance. In line with the companywide action plan, the head office and regional offices, as well as group marketing offices, each formulate their own specific action plans to address individual issues confronting them and thereby work to ensure compliance in a proactive manner. The Compliance Promotion Advisory Council and other bodies report the status of these action plans to the Board of Directors.

Legal Proceedings

We are subject to legal actions in the ordinary course of our business. These legal actions include claims related to individual sales practices and denial or delay of claims payments. We are not involved in any litigation or other legal proceedings that, if determined adversely to us, would individually or in the aggregate be expected to have a material adverse effect on our business or results of operations.

Properties

We own or lease real property for our registered head office in Tokyo, 73 regional offices, 938 agency offices and 19 group marketing departments (as of April 1, 2015). We believe that our properties are suitable for our business as currently conducted and adequately maintained. The above properties do not include properties that we own for investment purposes only.

Employees and Personnel

As of March 31, 2015, we had 40,793 employees and personnel, including 30,101 sales representatives and 10,692 administrative personnel. We consider our level of remuneration and non-wage benefits to be generally competitive with those offered by other major Japanese life insurance companies. Most of our full-time non-management employees are members of a labor union. We consider our labor relations to be excellent.

We have a 401(k)-style defined-contribution pension plan and a non-contributory defined benefit plan for our employees. Qualified employees under our defined benefit plan are entitled to single lump-sum allowance, annuity payments or both based on salary, length of service and reason for termination of employment. To determine the expected long-term yield on assets related to such benefit plans, we consider historical returns on long-term domestic bonds.

Management and Corporate History

Directors and Executive Officers

The following table sets forth our current Directors and Executive Officers:

Name	Position	Date first elected as director or executive officer
Nobuya Suzuki	Director, Chairman of the Board, Representative Executive Officer	2008
Akio Negishi	Director, President, Representative Executive Officer	2009
Hiroaki Tonooka	Director, Deputy President, Executive Officer	2005
Kiyotaka Fuke	Director, Deputy President, Executive Officer	2003
Kenji Kojo	Director	2011
Shigehiko Hattori	Director	2012
Seiichi Ochiai	Director	2012
Yoshihide Munekuni	Director	2013
Teruo Kise	Director	2014
Miyako Suda	Director	2014
Keiko Kitamura	Director	2015
Katsunari Maeda	Senior Managing Executive Officer	2009
Toshihiko Yamashita	Senior Managing Executive Officer	2010
Takashi Ito	Senior Managing Executive Officer	2007
Masahiro Ifuku	Senior Managing Executive Officer	2011
Kikuo Asano	Senior Managing Executive Officer	2012
Tatsuo Ogoshi	Managing Executive Officer	2010
Akio Sakai	Managing Executive Officer	2012
Masahiko Sagara	Managing Executive Officer	2012
Shigeru Kawamoto	Managing Executive Officer	2012
Kazuhito Nakakuma	Managing Executive Officer	2013
Tadashi Onishi	Managing Executive Officer	2013
Masao Aratani	Managing Executive Officer	2013
Shinya Makino	Managing Executive Officer	2013
Tetsuo Maejima	Managing Executive Officer	2014
Takashi Tsunematsu	Executive Officer	2014
Takashi Kikugawa	Executive Officer	2014
Yasuyuki Ayai	Executive Officer	2014
Teruki Umezaki	Executive Officer	2014
Kazunori Yamauchi	Executive Officer	2014
Kazuhiko Umakoshi	Executive Officer	2015
Satomi Matsumura	Executive Officer	2015
Michihiko Hayashi	Executive Officer	2015
Hideki Nagashima	Executive Officer	2015
Shinji Nakatani	Executive Officer	2015
Tsuyoshi Mizuno	Executive Officer	2015

We have adopted the "Company with a Nominating Committee, etc." corporate governance system pursuant to the Insurance Business Act. Our Articles of Incorporation provide for not more than 15 Directors and not more than 30 Executive Officers. Directors are elected at the board of representative policyholders. The normal term of office of Directors is one year, although they may serve any number of consecutive terms. The Board of Directors elects from among Executive Officers one or more Representative Executive Officers, who have the authority to individually represent us.

The Board of Directors reaches decisions on important management issues while supervising the execution of our business by our Directors and Executive Officers. The Board of Directors is also responsible for monitoring the status of insurance claim payments, customer complaints, legal compliance and risk management, and periodically reviews reports on these matters at board meetings. As of the date of this offering circular, our Board of Directors consists of 11 Directors, six of whom, or a majority, are outside Directors.

In addition to our Board of Directors, we have three committees: the Nominating Committee, the Audit Committee and the Compensation Committee. Each committee is comprised of a majority of outside Directors.

The Nominating Committee determines proposals related to the election and dismissal of Directors, which are submitted for approval to the board of representative policyholders. As of the date of this offering circular, the Nominating Committee is comprised of the following members: Yoshihide Munekuni, Chairman of the Nominating Committee and an outside Director; Seiichi Ochiai and Teruo Kise, who are each outside Directors; Nobuya Suzuki, Chairman of the Board and Representative Executive Officer; and Akio Negishi, President and Representative Executive Officer.

The Audit Committee audits the business execution of our Directors and Executive Officers, and prepares audit reports. The Audit Committee also submits recommendations to the board of representative policyholders on the election and dismissal of independent auditors. As of the date of this offering circular, the Audit Committee is comprised of the following members: Seiichi Ochiai, Chairman of the Audit Committee and an outside Director; Teruo Kise, Miyako Suda and Keiko Kitamura, who are each outside Directors; and Kenji Kojo, Director.

The Compensation Committee formulates the overall policy on, and determines the content of, remuneration for individual Directors and Executive Officers. As of the date of this offering circular, the Compensation Committee is comprised of the following members: Shigehiko Hattori, Chairman of the Compensation Committee and an outside Director; Yoshihide Munekuni and Miyako Suda, who are each outside Directors; Nobuya Suzuki, Chairman of the Board and Representative Executive Officer; and Akio Negishi, President and Representative Executive Officer.

KPMG AZSA LLC acts as our independent auditor.

Corporate History

We were formed in 2004 through a merger of Meiji Life Insurance Company and The Yasuda Mutual Life Insurance Company, two of the oldest life insurance companies in Japan. Established in 1881, Meiji Life Insurance Company was the first company in Japan to provide modern-day life insurance products in which premiums are determined based on expected mortality rates and other actuarial factors. The Yasuda Mutual Life Insurance Company was established in 1880 as Kyosai Gohyakumei-Sha, which changed its name to Kyosai Seimei Hoken Goshi Gaisya and became a modern-day life insurance company in 1894.

In April 2005, Meiji Yasuda General Insurance Co., Ltd., our wholly owned subsidiary, was formed through a merger of Meiji General Insurance Co., Ltd. and The Yasuda General Insurance Company Ltd.

In November 2010, we entered into a business alliance with each of Talanx AG, a German insurance company, and PT Avrist Assurance, an Indonesian insurance company. In December 2010, we also entered into a business alliance with Haier Group of China.

In March 2012, we acquired a majority of the shares of Sunvenus Tachikawa Company Limited, a private nursing home operator, and commenced our operation of nursing care facilities.

In June and July 2012, we acquired 27% and 30% of the shares of two major Polish insurance companies, TU Europa S.A. and TUiR Warta S.A., respectively, and became the first Japanese insurance company to enter the Polish insurance market.

In July 2013, we entered into a strategic partnership with Thai Life Insurance Public Company Limited.

In July 2015, we entered into a merger agreement for the proposed acquisition of all outstanding shares of common stock of StanCorp, a U.S. life insurance company listed on the New York Stock Exchange.

Subsidiaries and Affiliates

We conduct our business together with our subsidiaries and affiliates (non-subsidiary companies in which we hold, directly or indirectly, 20% to 50% of the issued share capital, or over which we hold significant influence with respect to its finances, operations or businesses). As of March 31, 2015, we had 39 subsidiaries and affiliates, seven of which were consolidated subsidiaries and 12 of which were accounted for by the equity method.

The following table sets forth information on our principal consolidated subsidiaries and affiliates as of March 31, 2015:

Name	Country	Main business	Issued capital or amount invested	Percentage of voting rights held by Meiji Yasuda Life	Percentage of voting rights held by Meiji Yasuda Life subsidiary or affiliate
			(Millions)		
Consolidated Subsidiaries					
Meiji Yasuda General Insurance Co., Ltd.	Japan	Non-life insurance (property and casualty)	¥ 52,000	100.0%	–
Meiji Yasuda Asset Management Company Ltd.	Japan	Investment advisory and agency business; investment management business	¥ 1,000	92.9	–
Meiji Yasuda System Technology Company Limited	Japan	Development, operation and management of systems; consulting service; payment collection; services related to nursing care and disease prevention	¥ 100	6.6	37.4%
Pacific Guardian Life Insurance Company, Limited	U.S.A.	Life and health insurance	$ 6.3	100.0	–
Meiji Yasuda Realty USA Incorporated	U.S.A.	Real estate investing business	$ 42.6	100.0	–
Affiliates					
Meiji Yasuda Insurance Service Company, Limited	Japan	Insurance agency	¥ 30	100.0	–
Meiji Capital 8th Investment Partnership	Japan	Investment in unlisted companies and management of invested capital	¥ 244	–	–

Name	Country	Main business		Issued capital or amount invested	Percentage of voting rights held by Meiji Yasuda Life	Percentage of voting rights held by Meiji Yasuda Life subsidiary or affiliate
				(Millions)		
Meiji Capital 9th Investment Partnership	Japan	Investment in unlisted companies and management of invested capital	¥	296	–	–
RP Alpha Tokutei Mokuteki Kaisha	Japan	Real estate and related investment	¥	15,210	–	–
Meiji Yasuda Real Estate Management Company Limited	Japan	Building management	¥	10	100.0	–
Meiji Yasuda Life Planning Center Company, Limited	Japan	Insurance-related clerical work; insurance agency; survey and research regarding life planning; consulting service	¥	10	10.0	21.0
MYJ Co., Ltd.	Japan	Accounting and record keeping related to policyholder services; life insurance contract confirmation; printing, book binding, packaging and distribution; insurance agency; clerical work related to employee benefit programs	¥	100	100.0	–
Diamond Athletics, Ltd.	Japan	Operation of athletic clubs	¥	50	10.0	–

Name	Country	Main business	Issued capital or amount invested	Percentage of voting rights held by Meiji Yasuda Life	Percentage of voting rights held by Meiji Yasuda Life subsidiary or affiliate
			(Millions)		
Meiji Yasuda Institute of Life and Wellness, Inc.	Japan	Survey, research and consulting regarding pension plans, healthcare, medical care, nursing care and life planning aimed at promoting wellness in an aging society	¥ 25	12.0	74.0
Sunvenus Tachikawa Company Limited	Japan	Operation of private nursing home	¥ 490	100.0	–
MST Insurance Service Co., Ltd.	Japan	Insurance agency	¥ 1,010	16.1	–
Yasuda Enterprise Development Co., Ltd.	Japan	Venture capital	¥ 100	50.0	–
The Mitsubishi Asset Brains Company, Limited	Japan	Research and evaluation of investment trusts; investment advisory and agency business	¥ 480	25.0	–
Defined Contribution Plan Consulting of Japan Co., Ltd.	Japan	Operation and management of defined contribution pension plans	¥ 4,000	20.0	–
THE YASUDA ENTERPRISE DEVELOPMENT IV, LIMITED PARTNERSHIP	Japan	Investment in unlisted companies and management of invested capital	¥ 3,599	–	–
KSP COMMUNITY, Inc.	Japan	Management of Kanagawa Science Park Building	¥ 20	10.0	5.0
Japan Pension Service Co., Ltd.	Japan	Clerical work and system development related to corporate pensions	¥ 2,000	39.7	–

Name	Country	Main business	Issued capital or amount invested	Percentage of voting rights held by Meiji Yasuda Life	Percentage of voting rights held by Meiji Yasuda Life subsidiary or affiliate
			(Millions)		
Meiji Yasuda America Incorporated	U.S.A.	Brokerage of insurance products, customer development assistance in financing business, financial and economic research	$ 7.0	100.0	–
Meiji Yasuda Europe Limited	United Kingdom	Financial and economic research and customer development assistance in financing business	4.0 GBP	100.0	–
Meiji Yasuda Asia Limited	China	Brokerage of insurance products, investment advisory, investment management, financial and economic research, customer development assistance in financing business	$ 3.0	100.0	–
Founder Meiji Yasuda Life Insurance Co., Ltd.	China	Life insurance	1,480.0 RMB	29.2	–
PT AVRIST Assurance	Indonesia	Life insurance	4,500.0 IRD	29.9	–
Towarzystwo Ubezpieczeń EUROPA Społka Akcyjna (TU Europa S.A.)	Poland	Non-life insurance	37.8 PLN	33.5	–
Towarzystwo Ubezpieczeń i Reasekuracji WARTA Społka Akcyjna (TUiR Warta S.A.)	Poland	Non-life insurance	187.9 PLN	24.3	–
Thai Life Insurance Public Company Limited	Thailand	Life insurance	10,600.0 THB	15.0	–

The Japanese Life Insurance Industry

The information in the section below has been derived, in part, from various government and private publications unless otherwise indicated. This information has not been independently verified by Meiji Yasuda Life. Unless otherwise stated herein, Japan Post Insurance and cooperative insurers are not included in any of the life insurance industry data appearing in this offering circular. This information may not be consistent with other information compiled within or outside Japan.

Overview

Japan is the second largest life insurance market in the world after the United States, based on total premium volume. The following table shows the world's five largest life insurance markets as measured by premium volume for calendar year 2014 (except for Japan whose data is based on the April 1, 2014 to March 31, 2015 fiscal year):

	Premium volume in 2014	Percentage of world market in 2014
	(Millions of dollars, except percentages)	
United States[1]	$ 528,221	19.9%
Japan[2]	371,588	14.0
United Kingdom	235,321	8.9
China	176,950	6.7
France	172,761	6.5
Other	1,169,708	44.0
Total	$ 2,654,549	100.0%

Notes:

(1) Life insurance premiums have been supplemented with estimated premiums for group pensions which have not been included in the statistics for some regions since 2001.

(2) Data includes Japan Post Insurance and life insurance provided by the Japan Agricultural Cooperatives.

Source: Sigma No.4/2015 "Sigma World insurance in 2014" (Swiss Re).

Japan also has one of the highest market penetration rates in the world, with 90.5% of Japanese households maintaining a life insurance policy (for individual life insurance, individual annuities and group life insurance), including the Japanese Consumers' Cooperative Union and the National Federation of Workers and Consumers Insurance Cooperative, in 2012, according to the Japan Institute of Life Insurance. As of March 31, 2015, the Japanese life insurance industry as a whole, including Japan Post Insurance, had total assets of ¥367,255 billion and policy amount in force of ¥1,369,581 billion. New life insurance policies (for individual insurance, individual annuities, group insurance and group annuities) sold by the Japanese life insurance industry as a whole, including Japan Post Insurance, measured by policy amount (including net increases in policy amount due to conversions), was ¥79,170 billion for the year ended March 31, 2015. The market penetration rate in Japan, by household and excluding the Japanese Consumers' Cooperative Union and the National Federation of Workers and Consumers Insurance Cooperative, peaked at 95.0% in 1994 and has experienced a continuing decline since then. This market penetration rate fell to 90.5% in 2012.

Mortality rates used in calculating the standard policy reserve are based on rates established by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. Expected mortality rates for 44-year-old males and females, which were revised downward in 2007, were 2.11‰ and 1.29‰, respectively. The actual mortality rates in 2013 for 44-year-old males and females were 1.63‰ and 0.91‰, respectively, according to the Ministry of Health, Labor and Welfare.

The following table sets forth financial information of the Japanese life insurance industry as a whole as of the dates shown:

	As of and for the year ended March 31,				
	2011	2012	2013	2014	2015
	(Billions of yen, except percentages)				
Total assets	¥ 320,691	¥ 326,952	¥ 344,998	¥ 350,582	¥ 367,255
Total revenues from insurance and reinsurance	35,103	37,029	38,069	35,784	38,681
Total premium income	34,454	36,289	37,140	34,738	37,222
Policy amount in force:					
Individual insurance	879,596	865,346	861,651	857,540	857,432
Individual annuities(1)	95,710	98,915	103,518	103,788	104,131
Group insurance	371,519	370,330	370,112	371,288	373,127
Group annuities	30,947	31,166	31,815	32,742	33,355
New policy amount(2):					
Individual insurance	62,992	65,601	71,345	66,836	67,431
Individual annuities	6,894	7,899	8,563	8,003	8,632
Group insurance	2,482	3,021	3,041	4,479	3,060
Group annuities	7	8	19	2	45
Annualized net premium from policy in force	21,781	22,775	23,856	24,449	25,225
Annualized net premium from new policy	2,732	2,917	2,943	2,819	3,106
Surrender and lapse ratio(3)	6.1%	5.8%	5.7%	5.5%	5.4%

Notes:

(1) The policy amount for individual annuities is the sum of (a) the funds held for annuity payments at the time such payments are to commence and (b) the policy reserve amount for annuities for which such payments have already commenced.

(2) New policy amount (including net increases in policy amount due to conversions) for the one-year period ended on the dates indicated.

(3) Data is for individual insurance products and individual annuity products.

(4) The above table includes data for Japan Post Insurance.

Source: The Life Insurance Association.

Providers of Life Insurance in Japan

According to the Life Insurance Association, there were 41 life insurance companies in Japan as of July 21, 2015, including Japan Post Insurance, foreign-owned companies, subsidiaries of non-life insurance companies and other smaller life insurance companies that have recently entered the market.

In addition, public announcements and press releases by the four largest life insurance groups indicated that they had a 52.2% market share in the Japanese life insurance market of a total volume of ¥31,264 billion in premium income, excluding Japan Post Insurance, in the year ended March 31, 2015. The following table sets forth the market share of the top four life insurance groups:

	Percentage of Japanese life insurance industry market share(3) by premium income(4) for the year ended March 31, 2015
Nippon Life	17.1%
Dai-ichi Life(1)	15.9%
Meiji Yasuda Life	10.9%
Sumitomo Life(2)	8.3%
Other companies	47.8%
Total	100.0%

Notes:

(1) Aggregate of Dai-ichi Life, Dai-ichi Frontier Life and Neo First Life.

(2) Aggregate of Sumitomo Life and Medicare Life.

(3) Does not include data for Japan Post Insurance.

(4) Premium income excludes reinsurance premiums.

Source: The Life Insurance Association, public announcements and press releases of the respective companies containing financial results for the year ended March 31, 2015. Meiji Yasuda Life has not independently verified and is unable to confirm the accuracy of the data presented for the other companies.

Japan Post Insurance and Cooperative Insurance

Japan Post Holdings is a government-owned holding company with three primary subsidiaries, including Japan Post Insurance through which it engages in the life insurance business. Japan Post Insurance enjoys competitive advantages in the Japanese insurance market due to its large existing customer base, access to the nationwide network of post offices of Japan Post and favorable public perception of its stability due to its association with the government. In 2008, Japan Post Insurance began agency sales of the insurance products of a number of life insurance companies. Although Japan Post Insurance issues only smaller-sized life insurance policies to the retail market with maximum coverage of ¥13 million per insured, these favorable characteristics give Japan Post Insurance a competitive advantage in the market. As a result, Japan Post Insurance has grown to become one of the biggest life insurance organizations in the world, with total assets related to its insurance business of ¥84,911.9 billion as of March 31, 2015. In May 2012, the Japanese government promulgated the amendment to the Postal Service Privatization Act, allowing Japan Post Insurance to become privatized. As the first phase of the privatization, consisting of the initial public offerings of Japan Post Holdings, Japan Post Insurance and Japan Post Bank, listing applications for these companies were approved by the Tokyo Stock Exchange on September 10, 2015, and shares of the three companies are expected to be listed on November 4, 2015. In addition, there are other cooperative insurers, though not as large as Japan Post Insurance, including those operated by the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Cooperative Union.

Life Insurance Policyholders Protection Corporation of Japan

We, like other Japanese life insurance companies, are required to support policyholders of failed life insurance companies through payments to the LIPPC. The LIPPC was established pursuant to the Insurance Business Act in 1998 to provide a system for the protection of policyholders of failed life insurance companies. The LIPPC is authorized to provide funds in connection with the transfer of insurance policies from a failed life insurance company to a successor company and perform certain other specified functions. See "Regulations—Regulation of the Japanese Life Insurance Industry—Insurance Business Act—Regulation for the Protection of Policyholders."

The life insurance industry is required to accept funding commitments to the LIPPC of an aggregate of up to ¥33 billion per year. This funding obligation is allocated among all Japanese life insurance companies licensed under the Insurance Business Act based on amounts of premium income and policy reserves. The allocation amounts are revised annually. All of our payments to the LIPPC are charged to operating expenses when paid. We expect the amount of our contribution in the current and future fiscal years to be comparable to the amounts of our contributions made in prior fiscal years. However, as stated above, this amount is adjusted annually based on the relative size of our premium income and policy reserve amounts within the life insurance industry as a whole and could be increased.

In addition to these annual contributions, the LIPPC may borrow up to an aggregate of ¥460 billion from banks, insurance companies and other financial institutions, with the authorization of the Commissioner of the FSA and the Minister of Finance. The LIPPC may, in accordance with its rules, request that licensed life insurance companies provide security for any such borrowings. As of March 31, 2015, the LIPPC had no outstanding balance of borrowings.

While members of the LIPPC, including us, are still required to make an aggregate upper limit funding commitment in the amount of ¥33 billion per year, and while the LIPPC is entitled to request that we and other LIPPC members provide security for its borrowings, the National Diet of Japan (the "Diet") amended the Insurance Business Act in 2005 to permit the Japanese government to cover losses in excess of ¥460 billion minus the aggregate balance of the LIPPC's borrowings, in the event of life insurance company failures. This amendment became effective in 2006 and applies to failures of life insurance companies occurring through March 31, 2017.

Business Segments

The business of Japanese life insurance companies can generally be classified into four principal segments. The following table shows industry policy amount information of the individual insurance, individual annuities, group insurance and group annuities product lines of the Japanese life insurance industry as of and for the year ended March 31, 2015:

	As of and for the year ended March 31, 2015(1)	
	Policy in force(2)	New policy(2)
	Total policy amount in force	Total new policy amount(3)
	(Billions of yen)	
Individual insurance	¥ 857,432	¥ 67,431
Individual annuities	104,131	8,632
Group insurance	373,127	3,060
Group annuities	33,355	45

Notes:

(1) Includes workers' asset-formation insurance and annuities, medical life insurance, disability income insurance and reinsurance.

(2) Includes data for Japan Post Insurance.

(3) New policy amount includes net increases in policy amounts due to conversions.

Source: The Life Insurance Association.

Individual Segment

The largest business segment in the Japanese life insurance industry is the individual segment, which can be classified into the individual life and the individual annuities. The following table shows policy amount information of the individual segment by product lines:

	As of and for the year ended March 31, 2015			
	Policy in force(1)		New policy(1)	
	Total policy amount in force	% of total	Total new policy amount(2)	% of total
	(Billions of yen, except percentages)			
Mortality insurance	¥ 733,730	76.3%	¥ 59,589	75.9%
Life and mortality insurance	116,532	12.1	8,469	10.8
Pure endowment	7,169	0.7	1,844	2.3
Individual annuities	104,131	10.8	8,655	11.0
Total	¥ 961,563	100.0%	¥ 78,559	100.0%

Notes:

(1) Includes data for Japan Post Insurance.

(2) New policy amount does not include net increases in policy amounts due to conversions.

Source: The Life Insurance Association.

Individual insurance

According to the Life Insurance Association, the total policy amount in force for individual insurance of the industry as a whole was ¥857,432 billion as of March 31, 2015. The principal types of life insurance products are whole life, whole life with term rider, term life and endowment insurance. Whole life insurance policies pay a death benefit to the beneficiary upon the death (including invalidity) of the insured at any time. Whole life insurance policies also accumulate a cash surrender value, giving these products an investment component. Whole life insurance with term rider policies, a combination of whole life insurance policies and term life policy riders, provide for a higher payment if the insured dies within a specified period and has traditionally been the most common life insurance product in Japan. Under term life insurance policies and policy riders, the beneficiary receives death benefits if the insured dies within a specified term. Term life insurance policies offer extensive coverage for relatively inexpensive premium amounts. Term life insurance policies traditionally provided little or no cash surrender value upon surrender of the policy and the policy periods were typically relatively short. However, a number of life insurance companies are providing larger cash surrender values for certain term life insurance policies with relatively longer policy periods. Endowment insurance provides insurance from the inception of the policy to the maturity date. Endowment insurance pays a death benefit to the beneficiary if the insured dies within a specified term or a maturity benefit of the same amount to the policyholder if the insured survives to the end of that term.

The following table sets forth the total policy amount in force and new policy amount for individual insurance by product line for the Japanese life insurance industry:

	As of and for the year ended March 31, 2015			
	Total policy amount in force	% of Total	Total new policy amount	% of Total
	(Billions of yen, except percentages)			
Whole life	¥ 157,989	18.4%	¥ 15,208	21.8%
Whole life with term rider	154,620	18.0	1,650	2.4
Term life	237,329	27.7	31,099	44.5
Endowment and others	307,492	35.9	21,946	31.3
Total	¥ 857,432	100.0%	¥ 69,904	100.0%

Note:

(1) Includes data for Japan Post Insurance.

Source: The Life Insurance Association.

In addition to individual life insurance products, Japanese life insurance companies also offer supplemental insurance policies in the so-called third sector, which lies between the traditional life insurance and non-life insurance sectors. These supplemental insurance policies are health-related policies specifically designed to supplement national health care programs and include policies for insurance against cancer, hospitalization and personal accidents. Until July 2001, the sale of independent products in the third sector was restricted to small- and medium-sized life insurance companies and foreign insurance companies. They are offered in the form of independent products and as policy riders. In the table above, independent supplemental insurance policies are included in endowment and others if they are combined with other death benefits; policy riders accompanying whole life insurance are included in whole life with term rider; and medical insurance and riders that are not combined with death benefits are not included.

The following table sets forth the annualized net premiums including medical coverage and living benefits for both policies in force and new policies for the Japanese life insurance industry:

	As of and for the year ended March 31,				
	2011	2012	2013	2014	2015
	(Billions of yen)				
Annualized net premium from medical coverage, living benefits, etc.(1)					
Policies in force	¥ 5,053.0	¥ 5,252.7	¥ 5,384.8	¥ 5,538.3	¥ 5,704.7
New policies(2)	549.8	575.6	510.2	532.0	560.0

Notes:

(1) Includes data for Japan Post Insurance.

(2) New policy includes net increases in policy amounts due to conversions.

Source: The Life Insurance Association.

Individual annuities

The total policy amount in force for individual annuities in the Japanese life insurance industry was ¥104,131 billion as of March 31, 2015. Annuities are a type of insurance product that provides periodic, typically annual, payments from a designated time in the future until the death of the insured or for a specified period. A single premium benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy. Individual annuity products include both fixed return products and variable return products for which the return reflects the result of investments made in separate accounts.

Group Segment

Group insurance

The total policy amount in force for group insurance in the Japanese life insurance industry was ¥373,127 billion as of March 31, 2015. Group insurance offers coverage similar to individual insurance except that many individuals are covered as the insured under a single policy and the policyholder is usually the individuals' employer or other organizations to which the individual belongs. Major group insurance products include group term life insurance and group credit life insurance. Group credit life insurance is a type of policy entered into by financial institutions to provide coverage on the borrower as the insured for the outstanding balance of mortgages or other loans made by the financial institutions.

Group annuities

The total policy amount in force for group annuities in the Japanese industry was ¥33,355 billion as of March 31, 2015. Life insurance companies offer group annuity products to corporations and other organizations as policyholders for the benefit of their employees and other organization members as insured parties. Such group annuity products may be structured as a sponsored benefit program with premiums paid by the organizations or on a non-sponsored basis with premiums paid by the insured parties.

Group annuity products include both fixed return products and variable return products for which the return reflects the result of investments made in separate accounts. Benefit plans that meet specified conditions may be qualified for preferential tax treatment.

Market Segment

The Japanese markets for the sale of life insurance products can generally be divided into the retail and corporate markets.

Retail

The retail market consists of sales made by sales agencies and sales representatives, mainly through traditional door-to-door sales activities, to individuals, typically women and the middle-aged or elderly. In addition, the retail market includes the sale of products directly to the employees of corporations through sales activities by sales representatives at such corporations' offices. Individual products such as whole life, whole life with term rider, endowment, annuity and third-sector products are popular in the retail market. In general, the increasing life expectancy of the Japanese population and the increase in medical expenses not covered by the national health insurance provides a more favorable climate for products such as annuity and third-sector products that offer benefits with respect to death, medical care and nursing care, compared to products that provide benefits upon death or maturity. In light of this environment, many insurance companies have begun emphasizing sales activities for such products.

Corporate

The corporate market includes sales of group insurance and annuities to corporations, which use the products to provide employee benefit programs. These programs are designed to help employees accumulate monetary assets, to provide for their postretirement security and to insure against death during employment. Similar programs also exist for national and local government personnel. Insurance companies offer a full range of services through their respective corporate sales divisions to meet the needs of such corporations and government entities.

Distribution Channels

The main distribution channels for the Japanese life insurance sales market can be classified into a number of channels mainly consisting of: sales representatives, bancassurance, independent sales agencies, insurance outlets and direct sales channels, such as the Internet.

Sales Representatives

Japanese life insurance companies have traditionally relied primarily on their exclusive distribution channel to market products, largely in the form of sales representatives that conduct workplace and door-to-door sales activities. Except for 2008 and 2009, the number of sales representatives has continually declined, and the total number of registered sales representatives declined by 2.0% to 228,878 in 2013 as compared to 2012.

Bancassurance Channel

As part of financial deregulation, the Japanese government amended the Insurance Business Act in May 2000 and, in April 2001, began deregulating certain bancassurance products that domestic banks can provide. In October 2002 and December 2005, the restriction was again scaled back, and the range of applicable products was expanded, which led to the practical beginning of banks offering bancassurance products in the end of 2002. In December 2007, the final phase was implemented, and all restrictions on the sale of bancassurance products by banks were eliminated.

According to the FSA, bancassurance sales accounted for 8.6% of the entire life insurance market in 2010. Single premium whole life products are the primary driver of bancassurance sales, accounting for 59.6% of all insurance sales through the bancassurance channel. Although the majority of sales (88.2% in 2010) for variable annuities still came through bancassurance sales, the overall percentage of variable annuities among all bancassurance sales has declined from 72.6% in 2006 to 11.3% in 2010. Fixed individual annuities have remained relatively constant, with bancassurance sales accounting for 24.9% of all fixed individual annuities sold, and 25.4% of the entire bancassurance sales market.

Sales Agencies

There are two types of sales agencies: individual agencies and corporate agencies. Although individual sales agents have been an important channel for Japanese life insurance companies, the number of individual agents has decreased to 56,938 in 2013.

Insurance Outlets

Japanese life insurance companies typically have direct insurance outlets. These direct outlets provide the companies' own insurance products face-to-face. There are also an increasing number of third-party insurance outlets which provide a variety of insurance products from various companies. For instance, *Hoken no Madoguchi* provides products from 25 life insurance companies, including Meiji Yasuda Life, through over 500 outlets as of September 11, 2015.

Direct Sales

In recent years there has been a general increase in the use of new sales methods such as direct sales. Direct advertising on television and through print media and sales efforts through the Internet have gradually increased. In addition, new insurance companies that provide life insurance products and services through the Internet, such as Lifenet Insurance Company, have also emerged in recent years to take advantage of the cost savings available to such direct marketing insurers.

Growth Markets

On July 1, 2001, the market for third-sector or supplemental insurance was deregulated for major life insurance companies. Previously, major life insurance companies could offer third-sector insurance only in the form of policy riders. As a result of the deregulation of the third-sector insurance market, some large Japanese life insurance companies have entered this market through the sale of independent third-sector insurance policies. Third-sector insurance has generally been growing in recent years and is expected to continue to grow due to the aging of Japan's population and a corresponding increase in overall medical expenses. The demand for health insurance products in particular is expected to increase, given that only a portion of medical expenses is currently covered by corporate benefit plans or Japan's national health care insurance system. We believe that the increasing proportion of uncovered medical expenses will lead to continuing growth in the market for third-sector insurance products.

The aggregate amount of annualized net premiums received by life insurance companies in Japan from third-sector insurance products has steadily increased for the past five years with respect to both policies in force and new policies.

Demographic changes and the present low-interest rate environment are expected to result in increased demand for asset accumulation and retirement savings products. Currently, life insurance companies are offering individual fixed annuities to meet such customers' savings needs. A large portion of Japanese household financial assets, 51.7% as of March 31, 2015, are deposits and savings. The aging of the Japanese population is expected to result in increased demand for products that convert such assets into a source of periodic income. There is also potential for growth among previously underrepresented customers, due to increased life insurance needs among groups such as women and young customer segments. Within the female market, social advancement is leading to greater levels of financial independence. Within the youth market, increasing numbers are entering major companies due to the retirement of the baby boomer generation. We anticipate both segments will generate demand for living needs benefits and cancer coverage in particular.

Since growth is expected in these markets, a large number of companies have expressed interest in these markets, and competition is expected to be significant.

Regulations

Regulation of the Japanese Life Insurance Industry

Insurance Business Act

Meiji Yasuda Life is regulated principally under the Insurance Business Act, which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister has authority to supervise insurance companies in Japan. Most of such authority is delegated to the Commissioner of the FSA, who in turn has delegated a part of such authority to the Directors of the Local Finance Bureaus of the Ministry of Finance. Certain of the provisions of and regulations under the Insurance Business Act and certain other recent regulatory developments are briefly described below. In this description, the term "insurance products" includes annuity products that are sold by life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term "insurance" should be interpreted accordingly.

Under the Insurance Business Act, the insurance underwriting business may be conducted by a licensed joint stock corporation, a licensed mutual company or the Japanese branch of a licensed foreign insurer, with certain limited exceptions. Meiji Yasuda Life is a licensed mutual company. A mutual company is a corporate structure provided for in the Insurance Business Act, pursuant to which policyholders (excluding holders of non-participating policies) may directly participate in the management of a mutual company. Instead of the general meeting of policyholders corresponding to the general meeting of shareholders in respect of a joint stock corporation, the Insurance Business Act permits a mutual company in its articles of incorporation to establish a board of representative policyholders which consists of representative policyholders elected from among participating and semi-participating policyholders. All of the Japanese mutual life insurance companies, including Meiji Yasuda Life, have established boards of representative policyholders. At each of its annual meetings, the board of representative policyholders receives a report and explanation regarding the business and settlement of accounts and adopts resolutions concerning important matters such as disposition of surplus and election of directors. The term of office of representative policyholders is limited to no more than four years by the Insurance Business Act. Meiji Yasuda Life's representative policyholders are nominated by the representative policyholders' nominating committee established by Meiji Yasuda Life taking into account geographical distribution, age, gender and occupations to obtain a balanced representation.

Supervisory Control

Licensing requirements. Under the Insurance Business Act, a license must be obtained from the Prime Minister in order to engage in the business of underwriting insurance for the general public, with certain exceptions. There are two types of insurance business licenses, one for underwriting life insurance and one for underwriting non-life insurance, and the same entity may not obtain both types of licenses. Only mutual companies with foundation funds (including reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*)) of ¥1 billion or more, or joint stock corporations with paid-in capital of ¥1 billion or more, are entitled to obtain such licenses. The issuance of a license is subject to satisfaction of certain requirements relating to financial condition, prospective results of operations, knowledge, experience, social credibility, insurance products to be offered, and the manner of calculation of insurance premiums, policy reserves, etc. An applicant for an insurance license must submit to the Prime Minister, together with the application for license, certain documents such as its articles of incorporation, a statement of manner of operations, a form of general policy conditions and a statement of manner of calculation of insurance premiums and policy reserves. The Prime Minister or the Commissioner of the FSA also has the authority to order the suspension of businesses in whole or in part, dismissal of officers including directors, executive officers, accounting advisers and corporate auditors, and revocation of licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act. Foreign insurance companies may not engage, with limited exceptions, in the insurance business in Japan without establishing a branch or office in Japan and obtaining a license from the Prime Minister. Application procedures and requirements for such a license are substantially the same as in the case of Japanese insurance companies. Also, the Prime Minister, the Commissioner of the FSA and the Director of the relevant Local Finance Bureau of the Ministry of Finance have supervisory authority over foreign insurance companies' branches and offices in Japan, which is similar to the authority they have over insurance companies in Japan.

An amendment to the Insurance Business Act in 2006 introduced the concept of small-amount, short-term insurers. Joint stock corporations or mutual companies that are registered as small-amount, short-term insurers with the relevant Local Finance Bureaus may conduct insurance underwriting business, with restrictions on the maximum amount of insurance payments and premiums received and the insured period. The small-amount, short-term insurers are subject to less strict regulations than insurers with a license.

Authority of the Commissioner of the FSA. An insurance company must obtain approval from the Commissioner of the FSA with respect to (a) any change in its products or any other term provided in the statement of manner of operations, the form of general policy conditions or the statement of manner of calculation of insurance premiums and policy reserves (although some of these changes are subject only to prior notification requirements) or certain material provisions of the articles of incorporation, (b) establishment or acquisition of certain subsidiaries, (c) demutualization, mutualization, merger, consolidation, company split, dissolution or cessation of insurance business or (d) comprehensive transfer of insurance policies, transfer or acquisition of a business in which any or all of the parties thereto are insurance companies, or entrustment to any other insurance company of its administration or property. The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including:

- issuance of orders to insurance companies or their subsidiaries requiring such entities to submit reports or materials concerning the condition of the insurance companies' business and assets;
- examination of the operation of insurance companies at their or their subsidiaries' offices and other premises;
- setting of standards for measuring the soundness of the management of insurance companies;
- issuance of orders to insurance companies to change any term provided in any statement of manner of operations, general policy conditions, or statement of manner of calculation of insurance premiums and policy reserves; and
- issuance of orders to insurance companies to submit or amend business improvement plans or to suspend all or part of their business.

Registration requirements. Under the Insurance Business Act, life insurance solicitors, including sales representatives, third-party sales agencies and insurance brokers must be registered with the Director of the relevant Local Finance Bureau. The Directors of the Local Finance Bureaus also have the authority to revoke any existing registration upon the occurrence of certain events set forth in the Insurance Business Act and to supervise the operation of such life insurance solicitors.

Reporting requirements. Insurance companies in Japan are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year, as well as notifications with respect to any increase in foundation funds or paid-in capital, appointment or resignation of representative directors, directors who engage in the ordinary business of the insurance company, representative executive officers, executive officers, members of the Audit Committee or independent auditors, the issuance of stock acquisition rights or bonds with stock acquisition rights (applicable only to a joint stock corporation) or subordinated bonds or the borrowing of subordinated loans.

Deregulatory measures. In recent years, a number of deregulatory measures have been adopted in the life insurance industry. For instance, effective from April 1996, it is no longer necessary for insurance companies in Japan to obtain the approval of the Minister of Finance or the Commissioner of the FSA for any change in the terms of insurance contracts to be entered into by pension funds or other sophisticated customers or for any change in the terms of group annuities or certain other products specified in the Insurance Business Act and related regulations. Instead of obtaining the approval of the Minister of Finance or the Commissioner of the FSA, insurance companies are now required to file prior notifications to the Commissioner of the FSA with respect to these matters.

Also, sales representatives were previously not permitted to work for more than one life insurance company. However, this exclusivity requirement was relaxed in 1996 by an amendment to the Insurance Business Act in 1995. As a result of this amendment, an third-party sales agency may become a sales representative of two or more life insurance companies in certain circumstances specified by the relevant cabinet order as not being likely to result in impairing the protection of policyholders in light of the relevant factors including the ability of the sales representative to carry on the insurance solicitation. Based on this exception, banks registered as third-party sales agencies under the Insurance Business Act for over-the-counter insurance sales activities may also act as sales representatives for two or more life insurance companies.

Regulations on solicitation. The Insurance Business Act prohibits certain solicitation activities, such as false notice or nondisclosure of important matters, for the purpose of protecting potential insurance policyholders. In addition, recent amendments to the Insurance Business Act, which will become effective in May 2016, establish general rules for insurance solicitation to promote more appropriate solicitation practices. These general rules impose on insurance companies and life insurance solicitors, including sales representatives, third-party sales agencies and insurance brokers (i) an obligation to ascertain the customer's wishes and to propose products in accordance with the customer's wishes and (ii) an obligation to provide customers with product information and other necessary information during insurance solicitation.

Furthermore, sales representatives of life insurance companies, third-party sales agencies and insurance brokers are prohibited under the Insurance Business Act from selling insurance policies (excluding certain insurance policies specified by the Commissioner of the FSA) to employees and other persons affiliated with their own company, for the purpose of protecting such employees and other persons from coercive purchasing under pressure from their employers or other affiliated entities.

Restrictions on Scope of Business

Scope of business. Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance pursuant to its license, investing premium revenues and other assets, and certain other businesses set forth in the Insurance Business Act (with the prior approval of the Commissioner of the FSA for certain types of businesses), including:

- representation of or carrying out certain services on behalf of other insurance companies and financial service operators, including preparation or delivery of documents relating to the underwriting of insurance, collection of premiums, payment of insurance claims and benefits or execution of insurance policies (including brokerage), each for or on behalf of other insurance companies or other financial service operators, and acting as an agent with respect to banking and certain financial instruments businesses;
- providing guarantees for third parties;
- underwriting bonds issued or guaranteed by the Japanese government or bonds issued by Japanese municipal governments or handling of public offerings of bonds so underwritten;
- acquisition or transfer of accounts receivable;
- underwriting bonds issued by a special purpose company (*tokutei mokuteki kaisha*) under the Act on Securitization of Assets of Japan (Act No. 105 of 1998, as amended) or the handling of public offerings of bonds so underwritten;
- acquisition or transfer of short-term notes (i.e., paperless commercial paper);
- handling of private placements of securities;
- dealing in, or acting as an intermediary, broker or agent with respect to dealing in, certain kinds of financial futures and other derivatives;
- certain types of securities business specified in the Insurance Business Act and the FIEA, such as the sale of units of investment funds;
- handling of public offering of, or commissioning the administration of, municipal government bonds or corporate bonds or other bonds;
- trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act of Japan (Act No. 52 of 1905, as amended);
- investment advisory business;
- execution of, or acting as an intermediary, broker or agent with respect to execution of, agreements to obtain or transfer carbon dioxide equivalent quotas;

- fund transfer business as provided for in the Act Concerning Settlement of Funds of Japan (Act No. 59 of 2009, as amended); and
- trust business relating to insurance claims paid.

Regulation concerning third-sector insurance products. In the Japanese insurance industry, life insurance products and non-life insurance products are called "first-sector" and "second-sector" insurance products, respectively, and insurance products which do not fit into either category are called "third-sector" insurance products.

Before the deregulation described below, third-sector insurance products were permitted to be sold as independent products only by foreign-owned or small to medium-sized life insurance companies, although large life insurance companies and life insurance subsidiaries of non-life insurance companies were permitted to sell such products as riders to first sector insurance products.

Deregulation has gradually relaxed the restrictions imposed on the sale of third-sector insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell third-sector non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell third-sector life insurance products.

Restrictions on scope of business of subsidiaries. The Insurance Business Act restricts the types of businesses in which insurance companies in Japan may engage through subsidiaries. Previously, the Insurance Business Act prohibited life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the non-life insurance business and also prohibited non-life insurance companies in Japan from directly, or indirectly through subsidiaries, engaging in the life insurance business. As a result of deregulation, however, life insurance companies in Japan are permitted to have non-life insurance subsidiaries, and non-life insurance companies in Japan are permitted to have life insurance subsidiaries. In addition, as a result of further deregulation, it became possible for insurance companies in Japan to have subsidiaries engaging in certain financial instruments businesses, including securities business, or banking business, with the prior approval of, or prior notice to, the Commissioner of the FSA. Holding companies that hold more than 50% of the voting rights of an insurance company (the "insurance holding companies"), can hold subsidiaries engaging in businesses identical to the foregoing only with prior notice, and may also hold subsidiaries engaging in other businesses with the prior approval of the Commissioner of the FSA (all such permitted subsidiary businesses, "Permitted Subsidiary Business").

In order to promote foreign expansion of Japanese insurance companies, restrictions on the scope of business of foreign subsidiaries of Japanese insurance companies have been relaxed. In 2012, the Insurance Business Act was amended to permit Japanese insurance companies to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign insurance companies or foreign insurance holding companies. However, under the Insurance Business Act, Japanese insurance companies must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within five years following the acquisition, unless an extension is obtained from the Commissioner of the FSA. In addition, in November 2014, a further amendment to the Insurance Business Act became effective, permitting Japanese insurance companies to hold foreign subsidiaries engaging in businesses other than the Permitted Subsidiary Business if such foreign subsidiaries are acquired as a result of the acquisition of certain types of foreign banks, financial institutions or financial holding companies, although, as mentioned above, they must dispose of or otherwise remove such foreign subsidiaries as subsidiaries within five years following the acquisition, unless an extension is obtained from the Commissioner of the FSA.

Restrictions on shareholdings of another company. With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act generally prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company. Also, the Act Concerning Prohibition of Private Monopoly and Maintenance of Fair Trade of Japan (Act No. 54 of 1947, as amended) generally prohibits an insurance company from acquiring or holding voting rights of another domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company without obtaining the prior approval of the Fair Trade Commission pursuant to the standards established by the Fair Trade Commission.

Restrictions on insurance business by other financial corporations. Securities companies, banks and other financial institutions (other than insurance companies) were previously prohibited from engaging in the insurance business or selling insurance products in Japan. However, in line with the relaxation of the restriction on the scope of business able to be engaged in by insurance companies and their subsidiaries, the legal barriers preventing securities companies, banks and other financial institutions from entering into the insurance markets have gradually been lifted as follows:

- effective in March 1998, it became possible to establish insurance holding companies that hold controlling interests in one or more insurance companies;
- effective in December 1998, it became possible for securities companies in Japan to sell insurance products underwritten by their insurance subsidiaries or by other insurance companies;
- effective in October 2000, it became possible for Japanese banks to have insurance subsidiaries;
- effective in April 2001, it became possible for banks in Japan to sell credit life insurance policies issued by their insurance subsidiaries or other related companies in connection with housing loans made by banks and also to sell certain kinds of non-life insurance products;
- effective in October 2002, it became possible for banks in Japan to sell specified additional types of life insurance products, including both fixed and variable individual annuity products;
- effective in December 2005, it became possible for banks in Japan to sell specified additional types of life and non-life insurance products, including single premium whole life insurance products and reserve-type accident insurance products; and
- effective in December 2007, it became possible for banks in Japan to sell all types of life and non-life insurance products subject to certain administrative restrictions.

Cooperative associations (*kyosai*) are mutual aid societies traditionally formed by a group of persons such as those with the same occupation or regional community, which provide mutual aids, such as funeral expenses, from the pooled contributions of members. Except for some cooperative associations, including the Japan Agricultural Cooperatives, the National Federation of Workers and Consumers Insurance Cooperatives and the Japanese Consumers' Co-operative Union, which are regulated by special laws, cooperative associations are subject to regulations under the Insurance Business Act as a result of an amendment to the Insurance Business Act that became effective in 2006. In 2011, the Insurance Business Act and related regulations were further amended such that cooperative associations which meet certain requirements would be allowed to provide mutual aids with the special authorization of the relevant authorities, even if they have no insurance business licenses.

Restrictions on investments. Under the Insurance Business Act, aggregate investments by an insurance company in Japan in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10% (or 3% in the case of loans and guarantees) of its general account assets, as prescribed in the related regulations, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, except as approved by the Commissioner of the FSA, the aggregate investments by such insurance company and its subsidiaries and affiliates in a single company or its related companies may not exceed 10% (or 3% in the case of loans and guarantees) of the aggregate of such insurance company's general account assets, as prescribed in the related regulations, and the equity of such subsidiaries and affiliates, which aggregate amount will be adjusted to such extent as may be deemed necessary by the Commissioner of the FSA. However, these restrictions are not applicable with regard to the investment by an insurance company in its subsidiary, on the condition that such subsidiary is also an insurance company or an insurance holding company and the investment is via the purchase of shares of such subsidiary.

Financial Regulation

Foundation funds. Foundation funds (sometimes referred to as "*kikin*" or "funds") serve as capital for Japanese mutual companies. Unlike paid-in capital for joint stock corporations, however, foundation funds have a stated maturity and accrue interest payment obligations on a subordination basis.

The mutual company is permitted to make principal and interest payments under the foundation funds so long as the payments in any particular year are approved by the board of representative policyholders and do not exceed certain maximum amounts prescribed in the Insurance Business Act (such amounts, the "distributable principal surplus" with respect to principal payments and the "distributable interest surplus" with respect to interest payments).

Under the Insurance Business Act, the mutual company is required to obtain approval of the board of representative policyholders each year in order to distribute surplus for the payment of interest on the foundation funds. The mutual company is also required under the Insurance Business Act to obtain approval of its representative policyholders each year in order to distribute surplus for the payment of principal of the foundation funds. In addition, in order for a mutual company to make principal payments with respect to the foundation funds, it will also be required under the Insurance Business Act to have accumulated reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) in an amount equal to the principal payment.

If in any particular year, the conditions mentioned above are not met, a mutual company will be unable in that year to make all or part of the principal or interest payments due under the foundation funds. In such cases, the holder of the foundation funds would not be able to compel the mutual company to make such payment. Notwithstanding the above, if the board of directors fails to adopt a resolution approving reserve for fund redemption for a payment of principal due under the foundation funds, the holder of the foundation funds may be able to make a claim against the mutual company for the payment of principal, but only in an amount less than or equal to the amount accumulated under the reserve for fund redemption.

Policyholder dividends. The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies in Japan must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorized by the nature of the policy, and must choose a calculation method from among those set forth in the regulations. The regulations also provide that the amount of policyholders' dividend reserves may not exceed the aggregate sum of the following:

- the amount of policyholder dividends which were distributed but reserved with interest;
- the amount of distributed but unpaid dividends, excluding dividends prescribed in the above item but including dividends to be paid in the following fiscal year at the end of each fiscal year;
- the amount of dividends which would be required to be paid to policyholders if all participating policies were prematurely terminated; and
- certain other amounts similar in nature to the amounts mentioned above, to be calculated in accordance with the method prescribed in the statement of the manner of calculation of insurance premiums and policy reserves.

The Insurance Business Act requires an insurance company which is a mutual company to apply a certain percentage of unappropriated retained earnings to provision for policyholders' dividend reserves and reserves for balancing policyholder dividends. In addition, the Actuarial Standards of Practice for Life Insurance Companies provide certain criteria which must be considered by the chief actuary in determining whether the distribution of policyholder dividends by a life insurance company is made in a fair and equitable manner. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Our Decisions on Policyholder Dividends."

Policy reserves. Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfillment of future obligations under insurance policies. The policy reserves of life insurance companies shall be calculated based on the amount of insurance premiums actually received and shall consist of the following:

- premium reserve;
- unearned premium reserve;
- reserve for refunds; and
- contingency reserve.

The Insurance Business Act and related regulations provide that the amounts of the premium reserve and reserve for refunds with respect to certain insurance policies specified in such regulations must not be lower than the amount of the "standard policy reserve." The concept of "standard policy reserve" was introduced by an amendment to the Insurance Business Act effective in April 1996 to ensure the financial soundness of life insurance companies. A public notice issued under the Insurance Business Act by the then Ministry of Finance in 1996, as amended, sets forth the method of provision for the standard policy reserve and the assumed yield and mortality rates which must be adopted or used in calculating the amounts of the standard policy reserve, regardless of the amount of insurance premiums actually received. Pursuant to this public notice, the amount of the standard policy reserve must in general be calculated by the net level premium method, applying an assumed yield applicable as of the date of entering into the insurance policies and applying the mortality rates which must be set by the Institute of Actuaries of Japan and confirmed by the Commissioner of the FSA. On or before March 31, 2015, the assumed yield was set as applied across all types of insurance policies. For instance, 1.0% was set as the assumed yield applied to all types of insurance policies entered into on or after April 1, 2013 and on or before March 31, 2015. Commencing from April 1, 2015, however, the assumed yield may vary among different types of insurance policies, and the assumed yield applicable to certain types of insurance policies with lump-sum premiums set forth in the public notice above may be changed every three months, in contrast to such assumed yield as applicable to the other types of insurance policies which may be changed only once a year. The public notice provides different rules for calculation of the amount of the standard policy reserve for variable insurance policies in which a life insurance company guarantees the minimum amount of payment and of which premiums are administered in separate accounts of such life insurance company. The amounts of the premium reserve and reserve for refunds with respect to insurance policies which are not subject to the provision of standard policy reserve, unearned premium reserve and contingency reserve must be calculated as set out in the statement of the manner of calculation of insurance premiums and policy reserves by each life insurance company based on the amount of insurance premiums actually received.

Appointment of chief actuary. Under the Insurance Business Act, each life insurance company is required to appoint a chief actuary by resolution of its board of directors, and the chief actuary so appointed must participate in the calculation of insurance premiums, policy reserves, policyholder dividends, reserve for outstanding claims and certain other matters set forth in the ministerial ordinance promulgated under the Insurance Business Act. Also, the chief actuary must examine, at the end of every fiscal year, whether the provision of policy reserves and the distribution of policyholder dividends have been made appropriately and whether it is difficult to continue the insurance business (based upon the reasonable estimate made in accordance with actuarial principles of the future revenue and expense), and must submit an opinion to the board of directors of such life insurance company and provide a copy of such opinion to the Commissioner of the FSA. The Commissioner of the FSA may seek explanations with respect to the opinion issued by the chief actuary or seek advice on any matter in which the chief actuary is involved.

The role of the chief actuary has been strengthened by recent amendments to the related regulations. The Financial System Council stated in its interim report dated June 26, 2001 that it is necessary to further strengthen the role of chief actuaries to ensure that the calculation methods of insurance companies are appropriate. Since March 31, 2012, the chief actuary must also examine, at every fiscal year-end, whether the solvency margin ratio (as explained below) of the insurance company has been appropriately calculated based upon actuarial principles.

Solvency margin ratio. Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies in Japan. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payment for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The concept of the solvency margin ratio was introduced by an amendment to the Insurance Business Act and related regulations which became effective in April 1996. The manner of calculation of the solvency margin ratios is provided in an Ordinance of the Ministry of Finance promulgated under the Insurance Business Act, as amended, and by public notices and administrative directives issued previously by the Ministry of Finance and currently by the FSA. It has been revised several times as recently as March 31, 2014 to ensure that the solvency margin ratios represent more appropriately the ability of insurance companies in Japan to make required payments upon the occurrence of unforeseeable events. Currently, the non-consolidated solvency margin ratio for life insurance companies is calculated on a non-consolidated basis pursuant to the following formula:

$$\text{Non-consolidated solvency margin ratio} = \frac{(\text{Solvency margin gross amount})\text{x}100}{(\text{Total amount of risk})\text{x}1/2}$$

In the above formula:

"Solvency margin gross amount" represents the sum of the following:

- net assets or foundation funds (less certain items);
- reserve for price fluctuation;
- contingency reserve;
- general reserve for possible loan losses;
- net unrealized gains/losses on certain securities (multiplied by 90% if gains or 100% if losses) and land (multiplied by 85% if gains or 100% if losses); and
- certain other items (including perpetual subordinated debt which satisfy certain requirements (such as deferral of interest payment obligations) and dated subordinated debt with maturity longer than five years).

"Total amount of risk" is a quantified measure of the total unforeseeable risk borne by the life insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA as follows:

- the amount of the "underwriting risk (other than underwriting risk of third-sector insurance)" and the "underwriting risk of third-sector insurance," that is, the risk which may arise as a result of the actual rate of occurrence of insurance events exceeding normal expectation;
- the amount of the "assumed yield risk," that is, the risk of failing to secure the assumed yield which serves as the basis of calculation of the policy reserves;
- the amount of the "investment risk," that is, the aggregate sum of (i) the amount equal to the "risk of price fluctuation," or the risk which may arise due to, among other things, fluctuation of prices of securities and any other assets held by the insurance company beyond normal expectation, (ii) the amount equal to the "credit risk," or the risk which may arise due to, among other things, default of obligations by a counterparty to any transaction with respect to securities and any other assets held by the insurance company, (iii) the amount equal to the "affiliate companies' risk," or the risk which may arise due to, among other things, investment in any affiliate company, (iv) the amount equal to the "derivative transaction risk," or the risk which may arise due to, among other things, certain futures or forward transactions or certain derivative transactions, and (v) the amount equal to the "credit spread risk," or the risk which may arise due to, among other things, fluctuation of prices beyond normal expectations with respect to credit derivatives transactions, and (vi) the amount equal to the "reinsurance risk," or the risk which may arise due to reinsurance transactions;
- the amount of the "business management risk," that is, the other risks beyond normal expectation in the company's business; and
- the amount of the "minimum guarantee risk," that is, the risk associated with any insurance policy with a separate account, that may arise if the amount of the assets in the relevant separate account does not reach the minimum amount of the payment guaranteed under such insurance policy due to price fluctuations of the assets in such separate account or other reasons which may arise beyond normal expectation.

The FSA is currently undertaking a comprehensive review of the solvency regulation and plans to revise it in two stages, short- and mid-term. The short-term revisions were concluded by the amendments to the calculation standards of the solvency margin ratio that were introduced and effected from March 31, 2012, including:

(i) restrictions on the inclusion of certain items in the amount of solvency margin, such as certain surplus portions of the policy reserves and deferred tax assets related to net loss carried forward, and with regard to subordinated debt, the total amount of subordinated debt and certain surplus portions of the policy reserves to be included in the solvency margin is limited to the amount of core margin (*chukaku-teki shiharai yoryoku*), generally calculated by summing up net assets, reserve for price fluctuation, contingency reserve and unappropriated portions of policyholders' dividend reserves, and making certain deductions (including loss on valuation of available-for-sale securities) and adjustments. However, this limitation is not applied in the case of "specified subordinated debt" or "*tokutei fusaisei shihon*" which satisfies not only certain requirements for subordinated debt under previous regulations (such as limitation of redemption and deferral of interest payment obligations), but also additional requirements under the current regulations (such as stricter restrictions on coupon step-up and the requirement of deferred interest being non-cumulative or cumulative but deferrable for an unlimited period);

(ii) requirement of stricter and more elaborate risk assessment, by such means as raising the confidence level of the coefficient of each risk (from 90% to 95%), renewing statistical data to be used as the basis of the coefficient of each risk and introducing a calculation of the investment diversification effect related to the price change risk based on each company's portfolio; and

(iii) requirement of chief actuaries' confirmation on the appropriate calculation of the solvency margin ratio.

In addition, since March 31, 2012, amendments to the Insurance Business Act introduced the consolidated solvency margin ratio regulation, covering insurance companies or insurance holding companies and their subsidiaries and affiliates.

The consolidated solvency margin ratio for life insurance companies is calculated on a consolidated basis pursuant to the following formula:

$$\text{Consolidated solvency margin ratio} = \frac{(\text{Solvency margin gross amount})\text{x}100}{(\text{Total amount of risk})\text{x}1/2}$$

In the above formula:

"Solvency margin gross amount" represents the sum of the same items, shown on a consolidated balance sheet, as described in the formula for the non-consolidated solvency margin ratio and certain other items. Since March 31, 2014, for calculation of the consolidated solvency margin ratio, the amounts of unrecognized actuarial differences and unrecognized prior service costs shall be included in the solvency margin gross amount.

"Total amount of risk" is a quantified measure of the total unforeseeable risk borne by the life insurance company group, which consists of risk amounts calculated on the basis of standards specified by the Commissioner of the FSA.

In connection with the development and possible introduction of new standards for solvency assessment by the IAIS, the FSA is considering the adoption of an economic value-based solvency regime and use of internal models in the course of medium-term review of solvency margin regulations. In June 2010, the FSA conducted the first field tests of an economic value-based solvency regime covering all insurance companies in Japan, the results of which were published in 2011. The FSA began conducting additional field tests in June 2014. In July 2015, the FSA published the results of these additional field tests and announced its intention to conduct further examinations toward the adoption of a specific framework concerning the economic value-based solvency regime. See "Risk Factors—As a Japanese insurance company, we are subject to extensive oversight of our business practices and must maintain a solvency margin ratio at or above required levels."

Subordinated debt (fusaisei shihon). Under the solvency regulations as prescribed in the Insurance Business Act and its related rules, subordinated debt (*fusaisei shihon*) may be included in the amount of solvency margin subject to certain conditions or qualification. In order for an amount of debt to qualify as a subordinated debt which may be included into the amount of solvency margin (*fusaisei shihon choutatsu shudan to*), it must satisfy either of the following conditions:

(i) a debt instrument which (a) is unsecured, subordinated to any other debts and fully paid-in; (b) will not be subject to redemption except at the option and sole discretion of the obligor and under certain conditions as specified in the related rules thereto; (c) may be used for loss compensation; and (d) interest deferral provisions exist; or

(ii) a subordinated debt obligation with fixed maturity which (a) has a maturity period of over five years at the time of execution; and (b) in the event where early redemption provisions exist, such early redemption to be at the option and sole discretion of the obligor and under certain conditions as specified in the related rules thereto.

In addition, the amount of such subordinated debt that may be included into the amount of solvency margin is subject to certain limitations as specified in the related rules thereto, except for certain "specified subordinated debt" as detailed in "—Solvency margin ratio" above.

Prompt corrective action. The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative real net assets, as defined below, to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the FSA may order the insurance company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to policyholders or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office;
- curtailment of businesses other than insurance underwriting;
- curtailment of business of sales offices, subsidiaries and affiliates; and
- disposition of shares or other equity interests in subsidiaries and affiliates.

If the solvency margin ratio falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a period of time, as specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0%, if the amount of real net assets of the insurance company is positive or expected to be positive, the Commissioner of the FSA may order a suspension of payment of policyholder dividend and remuneration to directors or such other measures as may be taken for an insurance company with a ratio from 0% to 100%, rather than suspend the operations of the insurance company. Furthermore, even if the solvency margin ratio is above 0%, if the amount of real net assets of the insurance company is negative or expected to be negative, the Commissioner of the FSA may suspend all or part of the operations of the insurance company. The amount of real net assets is calculated by subtracting non-capital real liabilities from real assets. For these purposes, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance No. 45 of 2000, as amended, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuation and contingency reserve) in accordance with the method promulgated by the Commissioner of the FSA and the Minister of Finance.

In addition to the above, the Commissioner of the FSA is authorized under the Insurance Business Act, when it considers that in view of the business condition or assets of an insurance company, it is difficult for the insurance company to continue its business, or that because the business operations of the insurance company are grossly inappropriate, continuation of such business would likely be detrimental to the protection of policyholders, to (i) order the insurance company to discuss the merger or suspension of all or part of its business operations or transfers of its insurance portfolio or implementation of any other necessary measures, or (ii) order an insurance custodian to take over the administration of the business and assets of the insurance company.

Regulation for the Protection of Policyholders

Alteration of policy terms. The Insurance Business Act permits a life insurance company to alter its policy terms, inter alia, reduce the assumed yield to policyholders in the case that there is a probability that the life insurance company has difficulty in continuing its business. In order to implement such alteration of policy terms, in the case of a mutual company, after the approval of the Commissioner of the FSA has been obtained, recognizing such probability of difficulty in continuing its business, the board of representative policyholders has to decide on a plan to alter the policy terms, in principle, with the approval required of three-fourths or more of the representative policyholders attending the board of the representative policyholders at which half or more of all representative policyholders shall attend. Further, the insurance company must obtain the approval of the Commissioner of the FSA after the approval of the board of representative policyholders. In case more than 10% of the total number of policyholders whose policies will be subject to the plan object and the amount provided in the ministerial ordinance promulgated under the Insurance Business Act as the amount of the claims regarding the insurance policies of such objecting policyholders exceeds 10% of the aggregate amount of the claims regarding the insurance policies subject to the plan, the alteration shall not be carried out. Notwithstanding the foregoing, the assumed yield may not currently be reduced to less than 3% as prescribed in the cabinet order under the Insurance Business Act.

Life Insurance Policyholders Protection Corporation of Japan. The Insurance Business Act prescribes the establishment and manner of operations of corporations for the protection of insurance policyholders and requires that all life insurance companies participate in such a corporation and make contributions pursuant to the articles of incorporation of such corporation. The LIPPC is the sole corporation for the protection of life insurance policyholders that has been established to date. All life insurance companies doing business in Japan are members of the LIPPC. The LIPPC is responsible for providing support to maintain outstanding insurance policies issued by failing life insurance companies. "Failing life insurance companies" in this context mean life insurance companies that (i) suspend or, based on the state of their operations or assets, are likely to suspend payment of insurance claims, or (ii) are unable to perform their obligations, or are likely to be unable to perform their obligations, with their assets. The support to be provided by the LIPPC includes the following:

- financial aid for the transfer of all or part of insurance policies from a failing life insurance company to another life insurance company, merger of a failing life insurance company into another life insurance company or acquisition of shares of a failing life insurance company by another life insurance company or an insurance holding company;
- establishment and management of a successor life insurance company which will assume the liabilities for all insurance policies of the failing life insurance company by way of transfer of insurance portfolios, or merger with the failing life insurance company, provided that no other insurance company is expected to assume liabilities under the insurance policies sold by the failing life insurance company;
- assumption of all or part of the insurance policies sold by a failing life insurance company, provided that no other insurance company is expected to assume liabilities under such insurance policies;
- financial aid for payment of insurance claims by a failing life insurance company suspending the payment pursuant to an order for suspending business operations under the Insurance Business Act, or due to reorganization or bankruptcy proceedings; and
- purchase from policyholders of their unpaid insurance claims against a failing life insurance company.

The amount of financial aid which can be provided by the LIPPC is, with certain exceptions depending upon the kind of insurance policy, principally limited to an amount which is necessary to maintain 90% (for policies with a high assumed yield, lower than 90%) of the sum of the policy reserves (not including the contingency reserve), the reserve for outstanding claims and the policyholders' dividend reserves or participating policyholder dividends (excluding the undistributed portion thereof) pertaining to insurance policies.

In addition to annual contributions from its member companies, the LIPPC may borrow a maximum of ¥460 billion in total from banks, insurance companies or financial institutions with the approval of the Commissioner of the FSA and the Minister of Finance. The Insurance Business Act and related regulations provide that, if the LIPPC needs funds in excess of ¥460 billion (with certain exceptions) to support life insurance companies which fail between April 1, 2006 to March 31, 2017, the Japanese government may, subject to provision in a budget approved by the Diet, subsidize the LIPPC.

Policyholders' lien. Every holder of a life insurance policy issued by a Japanese life insurance company has a statutory lien (*sakidori tokken*) over the life insurance company's total assets with respect to the amount of reserve for payment to the insured under such policy. In addition, each person (including the policyholder) who has any right (i) to receive insurance claims or benefits, (ii) to seek compensation by a life insurance company for damages suffered by such person or (iii) to receive any refund, surplus, dividend or other distribution from the company, has a statutory lien over the life insurance company's total assets with respect to the amount of such right. The rights secured by statutory liens created under the Insurance Business Act have priority over the rights of general creditors, and are subordinated only to the rights secured by certain other statutory liens or by mortgages, pledges or other security interests.

Reorganization (kosei) proceedings. Previously, reorganization proceedings under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), were available only to joint stock corporations. However, by an enactment of the Act Concerning Special Handling of Reorganization Procedures for Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended), such proceedings became applicable to mutual insurance companies, and the Commissioner of the FSA was given the authority to file a petition for commencement of reorganization proceedings at any time when any fact constituting a reason for commencement of bankruptcy proceedings is likely to occur, even if such mutual insurance company is not then actually failing. The trustee appointed in reorganization proceedings has the right to cancel any existing contracts other than insurance contracts entered into by the company.

Deposit Insurance Act

The Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended) (the "Deposit Insurance Act") was originally enacted in order to protect depositors when banks and other banking institutions fail to meet their obligations. The Deposit Insurance Act was amended effective from March 2014, for the purpose of introducing a new resolution regime for failed financial institutions, including insurance companies, with a view to preventing systemic risks. The new regime has the following characteristics: (i) financial institutions including banks, insurance companies and securities companies and their holding companies are subject to the regime, (ii) necessary measures for preventing systemic risks such as provision of liquidity and financial assistance are implemented under the supervision or control of the Deposit Insurance Corporation of Japan, for certain of which contractual bail-in options (write-down of unsecured subordinated debts and conversion of unsecured subordinated debts into equity) are exercised and (iii) the expenses for implementation of the measures under this regime are borne by the financial industry with an exception under which it may be partially borne by the government of Japan.

Insurance Act

Insurance contracts in Japan had been governed as commercial transactions by the Commercial Code of Japan (Act No. 48 of 1899, as amended) (the "Commercial Code"). In June 2008, the Insurance Act of Japan (Act No. 56 of 2008, as amended) (the "Insurance Act") was newly promulgated, which became the primary law to govern insurance contracts when it came into effect on April 1, 2010.

The Insurance Act provides for formation, effect and other issues regarding insurance contracts, and is applied to life insurance contracts, non-life insurance contracts and accident and health insurance contracts, as well as mutual aid contracts. In addition to the establishment of rules for a change of an insurance beneficiary, measures to prevent moral hazard and other improvements, the Insurance Act also strengthens policyholder protections, as compared to previous legislative measures. This includes the following:

- Under the Commercial Code, a policyholder and an insured party were required to provide notice regarding important matters concerning the possibility of death or survival of the insured whether or not expressly requested by the life insurer. In contrast, the Insurance Act requires them to provide notice regarding important matters only when the life insurer expressly requests that it be provided with notice of such matters.
- In the case where the possibility of death has significantly decreased after the execution of a life insurance policy, the policyholder shall have the right to request a reduction of the insurance premium.
- Even if a payment date for an insurance benefit is specified in a life insurance policy and such date has not yet arrived, the life insurer shall be obliged to pay the insurance benefit after a reasonable period of time has elapsed for the insurer to be able to confirm the items necessary for payment of the insurance benefit.
- Any agreement which is less favorable for any policyholder, any insured and/or any insurance beneficiary than the measures stipulated in the above mentioned provisions of the Insurance Act shall be invalid.

- When a life insurance contract is executed, the life insurer must deliver to the policyholder a document explaining the contents of the insurance contract and certain other items without delay.

In addition, the Insurance Act has established a new rule for the protection of certain insurance beneficiaries. Under this rule, insurance beneficiaries can defeat cancellation of certain insurance contracts by a third party who holds a right of cancellation, such as an attaching creditor or bankruptcy administrator, with the consent of the policyholder, by the payment of a certain amount to such third party and by giving notice to the insurer within one month of the cancellation.

Financial Instruments and Exchange Act

The FIEA generally requires that any person or entity that is to engage in the financial instruments business be registered with the Director of the competent Local Finance Bureau as a registered financial instruments business operator. Meiji Yasuda Asset Management Company Ltd. is registered with the Director of the Kanto Local Finance Bureau as a financial instruments business operator qualified to provide investment advisory services, investment management services and certain securities dealing businesses under the FIEA, and its operations are subject to the supervision of the Commissioner of the FSA and the Director of the Kanto Local Finance Bureau. The manner of operations of registered financial instruments operators is set forth in the FIEA and related regulations.

The FIEA also requires that each life insurance company be registered as a registered financial institution with the Director of the competent Local Finance Bureau if it is to engage in certain financial instruments businesses, including certain securities dealing businesses, permitted to financial institutions under the FIEA. Life insurance companies so registered are subject to the supervision of the Director of such Local Finance Bureau with respect to their financial instruments business substantially in the same manner as are financial instruments business operators in Japan. Meiji Yasuda Life is registered with the Director of the Kanto Local Finance Bureau as a registered financial institution and subject to the supervision of such Director with respect to its financial instruments business. Further, if the life insurance company is to engage in such financial instruments business for an unspecified number of customers, the life insurance company is required to set forth the contents and method of said business and acquire approval from the Commissioner of the FSA pursuant to the Insurance Business Act. Meiji Yasuda Life has acquired such approval.

Although the FIEA does not directly regulate insurance policies, the Insurance Business Act provides for the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA. These rules include, among others, (i) regulations on advertisements, (ii) obligation to deliver documents in a written form which must clearly state the possibility of incurring losses and the amount of fees, prior to concluding a contract, (iii) prohibition of loss compensation, and (iv) the suitability rule. These restrictions apply to sales representatives, third-party sales agencies and insurance brokers, as well as insurance companies.

Act on Sales of Financial Products and Consumer Contracts Act

The Act on Sales of Financial Products of Japan (Act No. 101 of 2000, as amended) is designed to protect investors in financial products, including insurance products. Under this law, financial service providers, including Meiji Yasuda Life as a life insurance company, are required to provide adequate explanations to customers of certain material matters such as risks of losses incurred by customers and mechanisms of such financial products causing losses, and to ensure that their solicitation of customers to purchase financial products are made in a fair manner, taking into account each customer's knowledge, experience, financial condition and purpose of purchasing such products. This law also prohibits financial service providers from providing a conclusive statement or misleading information in respect of any uncertain matter in connection with sales of financial products. Financial service providers are held liable for damages suffered by their customers as a result of any failure to meet these obligations. The amount of damages is refutably presumed by the law to be the loss of capital.

The Consumer Contracts Act of Japan (Act No. 61 of 2000, as amended) is designed to protect individual consumers who enter into contracts, or consumer contracts, with business operators, including Meiji Yasuda Life, in light of the wide disparity between individual consumers and business operators in terms of the volume and quality of information and bargaining power. Under this law, a consumer may cancel, within the shorter of six months after the consumer is entitled to ratify the contract and five years after the contract date, any consumer contract entered into by such consumer if he or she has proposed or agreed to enter into the relevant consumer contract due to his or her misunderstanding arising from a material false statement, a failure to provide material information that is disadvantageous to consumers, or a conclusive statement as to any uncertain future matter by the business operator. A similar cancellation right is also given to consumers if the relevant consumer contract was entered into by a consumer due to solicitation by a business operator in a certain troubling manner. This law also requires business operators to ensure that the terms of consumer contracts are provided in a simple and clear manner so that they are understandable to consumers. If a consumer contract contains a clause which is unfairly prejudicial to the interests of consumers (such as a total waiver of consumers' rights to seek compensation from a business operator for damages suffered by them as a result of the business operator's default) such clause will be void under this law.

Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages

The Act on Special Civil Court Procedures for Recovery of Collective Consumer Damages of Japan (Act No. 96 of 2013, as amended) (the "Special Procedures Act") was promulgated on December 11, 2013 and will become effective within three years following the promulgation. Under the Special Procedures Act, certain types of consumer groups, subject to approval by the Prime Minister ("Qualified Consumer Groups"), may initiate lawsuits ("Confirmation Suits") for the purpose of confirming that a particular business operator, including Meiji Yasuda Life, is liable to large numbers of consumers for monetary obligations arising from a specified cause, based on contracts between such business operator and consumers (a "Common Obligation"). In the event that the existence of a Common Obligation is confirmed through a Confirmation Suit, the relevant Qualified Consumer Group is required, except in limited circumstances, to apply for commencement of a simplified procedure by which individual covered consumers may seek determination of the existence, and the specific amount of, the business operator's liability to them. Upon the commencement of the procedure, the covered consumers will be notified of the commencement as well as the manner and period to authorize the relevant Qualified Consumer Group to conduct the simplified procedure on behalf of them, and then those authorizing may submit claims thereunder to the business operator through the relevant Qualified Consumer Group.

Act Preventing Transfer of Profits Generated from Crime

Under the Act Preventing Transfer of Profits Generated from Crime of Japan (Act No. 22 of 2007, as amended) (the "Act Preventing Transfer of Profits Generated from Crime"), financial institutions and other entities, including Meiji Yasuda Life, are required to perform customer identification procedures and keep records of customer identifications and transactions with customers as prescribed by a ministerial ordinance. The Act Preventing Transfer of Profits Generated from Crime also requires financial institutions and other entities, including Meiji Yasuda Life, to report to a competent authority if they suspect that any property accepted from a customer has been obtained illegally or the customer conducts certain criminal acts. Customer identification requirements were tightened by the amendment to the Act Preventing Transfer of Profits Generated from Crime which has been in effect from April 2013.

Personal Information Protection Act

The Personal Information Protection Act aims to protect personal information in the context of a society increasingly reliant on information technology. The Personal Information Protection Act contains various provisions including those imposing obligations on a business enterprise, including Meiji Yasuda Life, utilizing personal information databases which store personal information such as addresses, family members and medical histories. Pursuant to those provisions, a business enterprise utilizing personal information databases is required to (i) specify the purpose of the use of the personal information as clearly as possible, (ii) refrain from using the personal information beyond such purpose without consent by the person to whom such information relates, (iii) notify the person to whom such information relates or publish the purpose of the use when or prior to acquiring the personal information, and (iv) disclose the personal information if the person to whom such information relates requests it. Further, in certain cases, the person to whom such information relates may request the business enterprise to correct, add, refrain from using or erase the personal data.

International Solvency Margin Regulations

Additional requirements that may be proposed in the future, such as the risk-based global insurance capital standard currently developed by the IAIS as part of its Common Framework for the Supervision of IAIGs or the recovery and resolution planning, group-wide supervision and higher loss-absorbency ("HLA") requirements developed for G-SIIs, each as described below, could result in significant changes to the current solvency margin regulations. Although we are not currently designated as an IAIG or G-SII, we could become subject to these new requirements in the future, potentially resulting in new limitations on our business or investment activities.

ComFrame includes additional supervisory oversight based on the Insurance Core Principles ("ICP") developed by IAIS, as well as additional requirements and supervisory processes pertaining to the international business activities of IAIGs. In connection with ComFrame, IAIS is in the process of developing a risk-based global insurance capital standard ("ICS") applicable to IAIGs. The development of ICS is expected to be completed by December 2016, and both ComFrame and ICS requirements are expected to be finalized by late 2018. IAIS is conducting a field testing of ComFrame, including the ICS, ahead of that deadline. It is expected that implementation of ComFrame and ICS would begin in 2019.

In July 2013 and November 2014, the Financial Stability Board ("FSB"), consisting of representatives of national financial authorities of the G20 nations, published its lists of G-SIIs, based on the assessment methodology developed by IAIS. The FSB will continue to update the list annually. The IAIS intends G-SIIs to be subject to a policy framework that includes recovery and resolution planning requirements, enhanced group-wide supervision, enhanced liquidity and strategic risk management planning, basic capital requirements ("BCR") and HLA capital requirements. The BCR, finalized by IAIS in November 2014, covers all group activities and is required to be reported to national authorities on a confidential basis beginning in 2015. The BCR will serve as the initial foundation for the application of HLA capital requirements, which the IAIS intends to be calculated in part based on engagement in non-traditional and non-insurance activities. It is expected that the IAIS will develop HLA capital requirements by November 2015 and the G-SII policy framework will be fully implemented by 2019.

Legislation in the European Union could also affect our business. The Solvency II Directive (2009/138/EEC) ("Solvency II"), which was adopted in November 2009 and is expected to become effective on January 1, 2016, reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. Solvency II is expected to be accompanied by Omnibus II, an EU proposal adopted in March 2014 for a directive that also contains provisions for the capital treatment of products with long-term guarantees.

The foregoing international requirements and developments could impact our business and the manner in which we operate both within and outside Japan. The possibility of inconsistent and conflicting regulation applicable to us also exists as law makers and regulators in multiple jurisdictions simultaneously pursue these initiatives.

Description of the Notes

The Notes will be issued pursuant to an indenture to be dated as of October 20, 2015 (the "Indenture") between Meiji Yasuda Life and The Bank of New York Mellon in its respective capacities as (i) trustee, (ii) paying agent, (iii) calculation agent and (iv) notes registrar.

The following description of the Notes is a summary of the detailed provisions of the Notes and the Indenture. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the Notes and the Indenture, including the definitions of certain terms used therein. Meiji Yasuda Life urges you to read those documents in their entirety because they, and not this description, define the rights of holders of the Notes. You may make written request for copies of those documents from the corporate trust office of the trustee located at 101 Barclay Street, New York, NY 10286, U.S.A. Holders of the Notes are deemed to have notice of all the provisions of the Notes and the Indenture.

> *Please note that, if in the future Meiji Yasuda Life conducts a demutualization under the Insurance Business Act or any similar applicable law or regulations and becomes a joint-stock corporation (a "Demutualization Event"), certain provisions of the Notes will automatically be amended as described in italics below. Unless otherwise described below, the amended provisions will form part of the terms and conditions of the Notes upon the effectiveness of a Demutualization Event.*

General

The Notes initially will be limited to $2,000,000,000 aggregate principal amount. The Notes will be issued in fully registered form, without coupons, with a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof. The interest payment dates shall be April 20 and October 20 of each year (each an "Interest Payment Date"), beginning on April 20, 2016, until the Notes are fully redeemed. The Notes will mature on October 20, 2045 and will only be redeemable or repayable as described under "—Redemption" and "—Events of Acceleration; Limited Rights of Acceleration."

From, and including, October 20, 2015 to, but excluding, October 20, 2025 (the "First Call Date"), the Notes will bear interest at 5.20% *per annum* on each $1,000 principal amount thereof, payable semi-annually in arrears on each Interest Payment Date, unless deferred.

The rate of interest of the Notes will be reset on the First Call Date and every date which falls five, or a multiple of five, years thereafter (each a "Reset Date"), until all Notes are fully redeemed. From, and including, each Reset Date to, but excluding, the next following Reset Date or the date on which the Notes are finally redeemed, whichever is the earlier (each such period a "Reset Interest Period"), the Notes will bear interest at a fixed rate *per annum* on each $1,000 principal amount thereof equal to the "Reset Interest Rate," which is the sum of the applicable 5-Year Mid-Swap Rate (as defined below) and 4.23% *per annum*, payable semi-annually in arrears on each Interest Payment Date, beginning on April 20, 2026, unless deferred.

The Reset Interest Rate for each applicable Reset Interest Period shall be determined by the calculation agent on the Reset Interest Rate Determination Date (as defined below). For purposes of calculating the Reset Interest Rate, "5-Year Mid-Swap Rate" shall be the mid-swap rate for U.S. dollar swaps with a term of five years which appears on the Reuters screen "ISDAFIX1" (or such other page as may replace it for the purpose of displaying rates comparable to the 5-Year Mid-Swap Rate as determined by the calculation agent) at approximately 11:00 a.m., New York City time, two New York City Banking Days (as defined below) before the relevant Reset Date (the "Reset Interest Rate Determination Date"). If such rate does not appear or if the relevant page is unavailable, the 5-Year Mid-Swap Rate will be determined on the basis of the 5-Year Mid-Swap Rate Quotations (as defined below) provided to the calculation agent at approximately 12:00 p.m., New York City time, on such Reset Interest Rate Determination Date by six leading swap dealers in the New York City interbank market selected by the calculation agent (excluding any trustee, paying agent, calculation agent or notes registrar of Meiji Yasuda Life or any of their respective affiliates) after consultation with Meiji Yasuda Life. If at least three quotations are provided, the 5-Year Mid-Swap Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the 5-Year Mid-Swap Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the 5-Year Mid-Swap Rate will be the quotation provided. If no quotations are provided, the 5-Year Mid-Swap Rate for the relevant Reset Interest Period will be in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Call Date (the "First Reset Rate"), the 5-Year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period; provided that if no quotations are available on the relevant Reset Interest Rate Determination Date for the First Reset Rate, then the First Reset Rate shall be determined based on the next preceding New York City Banking Day's daily closing mid-swap rate for U.S. dollar swaps with a term of five years which appeared on the Reuters screen "ISDAFIX1" (or such other replacement page set forth above) when the relevant rate was available.

"New York City Banking Day" means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in The City of New York.

"5-Year Mid-Swap Rate Quotations" means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on the basis of a 360-day year of twelve 30-day months) of a fixed-for-floating U.S. dollar interest rate swap transaction which: (i) has a term of five years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on three-month U.S. dollar LIBOR (calculated on the basis of the actual number of days in the relevant period divided by 360).

If any Interest Payment Date falls on a day that is not a Business Day (as defined below), then Meiji Yasuda Life will make the required payment of principal or interest (and additional amounts, as described in "—Taxation and Additional Amounts," if any) on the next succeeding Business Day, and no additional interest will accrue in respect of the payment made on that next succeeding Business Day.

Interest on the Notes will be paid to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a Business Day) immediately preceding the applicable Interest Payment Date (each, an "Interest Payment Record Date"). The principal of, and interest on, the Notes will be payable in U.S. dollars (or in such other coin or currency of the United States of America as of the time of payment that is legal tender for the payment of public or private debts).

"Business Day" for the purposes of the Indenture and the Notes means a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to close in The City of New York, London or Tokyo.

Any references herein to interest that is accrued shall mean any and all interest that has accrued as of the relevant time, including, for the avoidance of doubt, any arrears of interest and, if applicable, interest thereon, as well as any additional amounts in respect of interest and arrears of interest.

Interest on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upward).

If any payment in respect of the Notes by Meiji Yasuda Life or its paying agent is subject to deduction or withholding imposed pursuant to or in connection with Sections 1471-1474 of the U.S. Internal Revenue Code or U.S. Treasury regulations or guidance issued thereunder, including deduction or withholding pursuant to an agreement with the U.S. Treasury, inter-governmental agreement or legislation adopted by any non-U.S. jurisdiction in connection with these provisions ("FATCA"), the amount so deducted or withheld will be treated as paid under the Notes for all purposes, and no additional amounts will be paid on the Notes with respect to such deduction or withholding.

Status of the Notes; Subordination

The Notes will constitute irrevocable, direct, unsecured and subordinated obligations of Meiji Yasuda Life. Claims in respect of the Notes shall at all times rank *pari passu* and without any preference among themselves and *pari passu* with Liquidation Parity Securities (as defined below), as to priority of liquidation payment in the sense that payment in respect of the Notes is limited upon the occurrence of a Subordination Event (as defined below), as described in the following paragraph, and in priority to (i) claims of holders of interests in the foundation funds (*kikin*) of Meiji Yasuda Life and (ii) claims of any other instruments of Meiji Yasuda Life that are expressly designated as being junior to the Notes as to priority of liquidation payment. "Liquidation Parity Securities" means (i) the subordinated loans extended to Meiji Yasuda Life in March 1999 by three Japanese financial institutions with an aggregate principal amount of ¥100.0 billion and final redemption in April 2021 and (ii) any other liabilities of Meiji Yasuda Life that are expressly designated as being on a parity with, or ranking *pari passu* with, the Notes as to priority of liquidation payment, and, for the avoidance of doubt, Liquidation Parity Securities shall not include foundation funds (*kikin*). For information on Liquidation Parity Securities outstanding as of the date of this offering circular, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources."

Upon the occurrence of a Demutualization Event, the immediately preceding paragraph shall be amended to read as follows:

The Notes will constitute irrevocable, direct, unsecured and subordinated obligations of Meiji Yasuda Life. Claims in respect of the Notes shall at all times rank pari passu and without any preference among themselves and pari passu with Liquidation Parity Securities (as defined below), as to priority of liquidation payment in the sense that payment in respect of the Notes is limited upon the occurrence of a Subordination Event (as defined below), as described in the following paragraph, and in priority to (i) claims of holders of common stock and preferred stock (including the most senior preferred stock) of Meiji Yasuda Life and (ii) claims of any other instruments of Meiji Yasuda Life that are expressly designated as being junior to the Notes as to priority of liquidation payment. "Liquidation Parity Securities" means (i) the subordinated loans extended to Meiji Yasuda Life in March 1999 by three Japanese financial institutions with an aggregate principal amount of ¥100.0 billion and final redemption in April 2021 and (ii) any other liabilities of Meiji Yasuda Life that are expressly designated as being on a parity with, or ranking pari passu with, the Notes as to priority of liquidation payment.

Upon the occurrence of a Subordination Event, the obligations of Meiji Yasuda Life pursuant to the Notes shall be subordinated in right of payment to all Senior Indebtedness (as defined below) of Meiji Yasuda Life, and so long as such Subordination Event continues, no payment will be made under the Notes (except for such amounts as have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) unless and until a Condition for Liquidation Payment (as defined below) shall have occurred.

"Subordination Event" means any one of the following events:

(a) a liquidation proceeding (including a voluntary liquidation proceeding (*tsujo seisan*) or special liquidation proceeding (*tokubetsu seisan*)) shall have commenced with respect to Meiji Yasuda Life pursuant to the Insurance Business Act or any successor legislation thereto;

(b) a court of competent jurisdiction in Japan shall have commenced bankruptcy proceedings with respect to Meiji Yasuda Life pursuant to the provisions of the Bankruptcy Act or any successor legislation thereto;

(c) a court of competent jurisdiction in Japan shall have commenced reorganization proceedings with respect to Meiji Yasuda Life pursuant to the provisions of the Act Concerning Special Handling of Reorganization Procedures for Financial Institutions, Etc. of Japan (Act No. 95 of 1996, as amended, the "Special Reorganization Act") or any successor legislation thereto;

(d) a court of competent jurisdiction in Japan shall have commenced rehabilitation proceedings with respect to Meiji Yasuda Life pursuant to the provisions of the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended) (the "Civil Rehabilitation Act") or any successor legislation thereto; and

(e) Meiji Yasuda Life shall have become subject to liquidation, bankruptcy, reorganization, rehabilitation or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan, which proceedings have an equivalent effect to those set out in (a), (b), (c) or (d) above.

Upon the occurrence of a Demutualization Event, references to the "Insurance Business Act" and the "Special Reorganization Act" in subparagraphs (a) and (c) of the definition of "Subordination Event" above shall be changed to the "Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act")" and the "Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended) (the "Corporate Reorganization Act")," respectively.

"Senior Indebtedness" means all benefits and claims and other liabilities of Meiji Yasuda Life (including, for the avoidance of doubt, statutory subordinated bankruptcy claims (*retsugoteki hasan saiken*) as defined in the Bankruptcy Act) other than liabilities under the Notes, any Liquidation Parity Securities, claims of holders of interests in the foundation funds (*kikin*) or claims of any other instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment.

Upon the occurrence of a Demutualization Event, the phrase ", claims of holders of interests in the foundation funds (kikin)" in the first sentence of the immediately preceding paragraph shall be deleted.

"Condition for Liquidation Payment" means (i) in the case of a Subordination Event under clause (a) of the definition of "Subordination Event," the total amount of any and all Senior Indebtedness of Meiji Yasuda Life, claims in respect of which having been filed within the prescribed period in the liquidation proceedings or of which Meiji Yasuda Life has knowledge shall have been paid in full without giving effect to any modification or reduction in the liquidation proceedings pursuant to the relevant law, (ii) in the case of a Subordination Event under clause (b) of the definition of "Subordination Event," the total amount of any and all Senior Indebtedness of Meiji Yasuda Life listed on the final distribution list, as amended, submitted to the court in the bankruptcy proceedings shall have been paid or provided for in full (including discharge by deposit of funds with the competent authority) pursuant to the relevant law, (iii) in the case of a Subordination Event under clause (c) of the definition of "Subordination Event," the total amount of any and all Senior Indebtedness which is listed in the reorganization plan of Meiji Yasuda Life at the time when the court's approval of the reorganization plan becomes final and conclusive shall have been paid in full in the reorganization proceedings to the extent that the liabilities shall have been fixed, (iv) in the case of a Subordination Event under clause (d) of the definition of "Subordination Event," the total amount of any and all Senior Indebtedness which is listed in the rehabilitation plan of Meiji Yasuda Life at the time when the court's approval of the rehabilitation plan becomes final and conclusive shall have been paid in full in the rehabilitation proceedings to the extent that the liabilities shall have been fixed, provided that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Meiji Yasuda Life shall be deemed to have never been subject to a Subordination Event under clause (d) of the definition of "Subordination Event," and accordingly this paragraph shall not apply, or (v) in the case of a Subordination Event under clause (e) of the definition of "Subordination Event," conditions equivalent to those set forth in (i), (ii), (iii) or (iv) above have been fulfilled (provided that if the imposition of any such condition is not allowed under such proceedings, any amount which becomes due under the Notes shall become payable in accordance with the Notes and shall not be subject to such condition).

The rights of holders of the Notes will be reinstated with respect to any payments made to the holders that are subsequently avoided in the bankruptcy, reorganization or rehabilitation proceedings (or other equivalent proceedings pursuant to any applicable law of any jurisdiction other than Japan) of Meiji Yasuda Life, as though such payments had not been made.

A holder of a Note, by acceptance of the Note, agrees that (i) if any payment on the Note is made to the holder after the occurrence of a Subordination Event and the amount of the payment shall exceed the amount, if any, that should have been paid to the holder upon the proper application of the subordination provisions of the Note, the payment of the excess amount shall be deemed null and void and the holder shall be obliged to return the amount of the excess payment within ten days after receiving notice of the excess payment, and (ii) upon the occurrence of a Subordination Event and so long as the Subordination Event shall continue, the holder shall not exercise any right to set off any liabilities of Meiji Yasuda Life under the Note (except for such amounts as have become due and payable, other than solely by way of acceleration, prior to the date on which a Subordination Event shall have occurred) against any liabilities of the holder owed to Meiji Yasuda Life unless, until and only in the amount as the liabilities of Meiji Yasuda Life under the Notes become payable pursuant to the proper application of the subordination provisions (provided, however, in the case of Subordination Event (d) above, that if the court finally and conclusively approves summary or consent rehabilitation proceedings or the cancellation of the rehabilitation plan, or the rehabilitation proceedings are finally and conclusively cancelled or discontinued by the court, Meiji Yasuda Life shall be deemed to have never been subject to such Subordination Event).

No amendment or modification to the subordination provisions contained in the Indenture that is prejudicial to any creditor in respect of any present or future Senior Indebtedness of Meiji Yasuda Life shall be made in any respect. No such amendment or modification shall in any event be effective against any such creditor.

As a consequence of the subordination provisions in the Notes, in the event of the occurrence of a Subordination Event, holders of the Notes may recover less ratably than the holders of insurance policies and other unsubordinated liabilities of Meiji Yasuda Life. Holders of the Notes or the trustee may be required to pursue their claims with respect to the Notes in Japan. To the extent that holders of the Notes or the trustee are entitled to any recovery in any action or proceeding in Japan, the holders or the trustee might not be entitled in the action or proceeding to a recovery in U.S. dollars and might be entitled in the action or proceeding only to a recovery in Japanese yen. Meiji Yasuda Life will agree pursuant to the terms of the Notes to indemnify holders of the Notes and the trustee against certain losses incurred as a result of any judgment or order being given or made for any amount due under the Notes and the judgment or order being expressed and paid in a currency other than U.S. dollars. Any amounts due under this indemnification and any additional amounts due in respect of Japanese withholding taxes as provided by the terms of the Notes will be subordinated in right of payment in any such proceeding.

Pursuant to the provisions of the Insurance Business Act, the Bankruptcy Act, the Special Reorganization Act or the Civil Rehabilitation Act, holders of liabilities, both subordinated and unsubordinated, of Meiji Yasuda Life will be required to file a proof of claims in Japan upon the occurrence of a Subordination Event. Upon the expiration of the period for filing the proofs, based on those filed and the records of Meiji Yasuda Life, an official list of liabilities that will be entitled to receive distribution in a bankruptcy, reorganization or rehabilitation proceeding will be determined pursuant to the provisions of the Bankruptcy Act, the Special Reorganization Act or the Civil Rehabilitation Act. To the extent that any liabilities senior to the Notes are not included on the final official list in Japan or are not accorded equivalent status pursuant to any applicable law of any jurisdiction other than Japan, the liabilities will no longer rank senior to any amounts payable under the Notes.

Upon the occurrence of a Demutualization Event, references to "the Insurance Business Act" and "the Special Reorganization Act" in the immediately preceding paragraph shall be changed to "the Companies Act" and "the Corporate Reorganization Act," respectively.

The Indenture and the Notes do not contain any limitations on the amount of Senior Indebtedness or other liabilities that may be hereafter incurred or assumed, including through guarantee obligations, by Meiji Yasuda Life.

Deferral of Interest Payments; Arrears of Interest

Optional Deferral of Interest Payments

Meiji Yasuda Life may, at its sole discretion, elect to defer payment of all (and not less than all) of the interest accrued on the Notes on any Interest Payment Date, so long as such Interest Payment Date does not constitute a Mandatory Interest Deferral Date (as defined under "Mandatory Deferral of Interest Payments"). Any such election to defer payment of interest accrued as of an Interest Payment Date shall not constitute a default by Meiji Yasuda Life for any purpose. Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest." In order to elect deferral of payments, Meiji Yasuda Life must provide written notice to the trustee, the paying agent and the holders of the Notes no later than one Business Day prior to the Interest Payment Record Date for the relevant Interest Payment Date.

Upon the occurrence of a Demutualization Event, the first sentence of the immediately preceding paragraph shall be amended to read as follows:

Meiji Yasuda Life may, at its sole discretion, elect to defer payment of all (and not less than all) of the interest accrued on the Notes on any Interest Payment Date, so long as such Interest Payment Date does not constitute a Mandatory Interest Deferral Date (as defined under "—Mandatory Deferral of Interest Payments" below) or a Compulsory Interest Payment Date (as defined under "—Compulsory Interest Payments" below).

Mandatory Deferral of Interest Payments

If, as of a date that is five Business Days prior to the Interest Payment Record Date for any Interest Payment Date, (i) a Capital Deficiency Event (as defined below) has occurred and is continuing or (ii) any payment in relation to the Notes or a Liquidation Parity Security has been deferred and continues to be in deferral, Meiji Yasuda Life shall be required to (a) defer payment of all (and not less than all) of the interest accrued on the Notes as of such Interest Payment Date and (b) provide written notice to the trustee, the paying agent and the holders of the Notes at least one Business Day prior to the Interest Payment Record Date for the relevant

Interest Payment Date. Any such mandatory deferral of interest accrued on the Notes as of an Interest Payment Date shall not constitute a default by Meiji Yasuda Life for any purpose. Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, shall constitute arrears of interest and shall be subject to the provisions described under "—Arrears of Interest." Any such Interest Payment Date subject to this mandatory deferral requirement shall constitute a "Mandatory Interest Deferral Date."

Upon the occurrence of a Demutualization Event, the phrases "(i)" and, "or (ii) any payment in relation to the Notes or a Liquidation Parity Security has been deferred and continues to be in deferral" in the first sentence of the immediately preceding paragraph shall be deleted.

A "Capital Deficiency Event" shall be deemed to have occurred if, as of the relevant date, (i) the Capital Adequacy Condition (as defined below) is not met or would not be met as a result of such payment of interest on the Notes or (ii) the Commissioner of the FSA has issued any order of prompt corrective action (*souki zesei sochi*) in relation to regulatory capital requirements to Meiji Yasuda Life and such order remains in effect.

The "Capital Adequacy Condition" shall be met if, as of the relevant date, (i) Meiji Yasuda Life's solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) meets or exceeds the Regulatory Minimum Capital Requirements (as defined below), and (ii) a deferral of interest on the Notes is not required under the then applicable regulatory requirements in Japan (or an official application or interpretation of such regulations, including a decision of a court or a tribunal in Japan).

"Regulatory Minimum Capital Requirements" means, as of any date, the then applicable solvency margin ratio (or such other measure of capital adequacy then used by the applicable regulatory requirements) required to be maintained under the Insurance Business Act and related regulations (including any successor laws and regulations) or any other solvency margin or capital adequacy regulations or regulatory capital rules of the FSA or other applicable governmental authority then in effect that are applicable to Meiji Yasuda Life, falling below which could trigger the issuance of an order of prompt corrective action by the Commissioner of the FSA or other equivalent action taken by such other applicable governmental authority and which is, as of the date of the Indenture, a solvency margin ratio of 200% (on a consolidated or non-consolidated basis).

If any Capital Deficiency Event occurs after the occurrence of a Demutualization Event, Meiji Yasuda Life intends to take such action as may be appropriate in order to facilitate a restoration of its regulatory capital position, which may include but is not limited to the following:

(i) not to propose a dividend, distribution or other payment on any class of shares at the general meeting of shareholders of Meiji Yasuda Life or to declare a dividend, distribution or other payment on any class of shares at the meeting of the board of directors of Meiji Yasuda Life or make any payment of interest (including any arrears of interest) on any Liquidation Parity Securities; and

(ii) not to redeem, repurchase or otherwise acquire any preferred stock, common stock, or any Liquidation Parity Securities of Meiji Yasuda Life.

Please note that this intention will not form part of the terms and conditions of the Notes, even upon the occurrence of a Demutualization Event.

Payment Stoppage

If Meiji Yasuda Life has given notice to defer interest payments on the Notes, but the relevant interest has not become payable, or if any payment in relation to the Notes has been deferred and continues to be in deferral, Meiji Yasuda Life shall not, and it shall cause any of its subsidiaries not to, make any payment of principal of, or interest or premium, if any, on, or repay, purchase or redeem any of its securities that are Liquidation Parity Securities or any of its instruments that are expressly designated as being junior to the Notes as to priority of liquidation payment (other than foundation funds (*kikin*) and any Liquidation Parity Securities or such other instruments, in each case, by whose terms such non-payment is not permitted).

For the avoidance of doubt, no terms of the Notes will be deemed to restrict in any manner the ability of any subsidiary of Meiji Yasuda Life to pay dividends or make any distributions to Meiji Yasuda Life or Meiji Yasuda Life's ability to make payments on foundation funds (*kikin*) or to make distributions to its policyholders (*shain haitou*).

Upon the occurrence of a Demutualization Event, the "Payment Stoppage" provision set forth above shall be deleted.

Arrears of Interest

Arrears of interest on the Notes shall accrue on a cumulative basis and remain payable for so long as they remain unpaid, and, for the avoidance of doubt, any claims thereon shall rank *pari passu* with the Notes. Interest on arrears of interest deferred at Meiji Yasuda Life's election shall compound semi-annually at 5.20% *per annum* to, but excluding, the First Call Date, and at the applicable Reset Interest Rate for each Reset Interest Period thereafter. Arrears of mandatorily deferred interest shall bear no interest.

At the option of Meiji Yasuda Life, arrears of interest on the Notes may be paid in whole or in part to the persons in whose names the Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a Business Day) immediately preceding the date on which payment of such arrears of interest is made, at any time upon the expiration of not more than 15 nor less than five Business Days' written notice to the trustee, the paying agent and the holders of the Notes to such effect (which written notice shall specify the amount of such arrears of interest), provided that such payments (i) shall be subject to any applicable regulatory requirements or approvals, (ii) shall be conditional upon no Capital Deficiency Event having occurred and continuing to occur and (iii) shall be conditional upon no payment in relation to Liquidation Parity Securities having been deferred and continuing to be in deferral, in each case, as of the time of such written notice. Notwithstanding (iii) above or the provisions set forth under "—Optional Deferral of Interest Payments," "—Mandatory Deferral of Interest Payments" and "—Payment Stoppage," even if any payment in relation to a Liquidation Parity Security has been deferred and continues to be in deferral, Meiji Yasuda Life may make payment of all or any portion of the interest on the Notes that shall have accrued as of the most recent Interest Payment Date, if Meiji Yasuda Life also makes substantially concurrent *pro rata* payments of interest that shall have accrued as of the most recent Interest Payment Date of such Liquidation Parity Securities, it being understood that if such a substantially concurrent payment is not permitted under the terms of the Liquidation Parity Securities, such payment may be made on the next applicable Interest Payment Date for such Liquidation Parity Securities. For this purpose, the calculation agent shall determine, in its sole discretion, the method of calculating *pro rata* amounts where currency conversion or other factors require such a determination. Where no Subordination Event has occurred and is continuing and arrears of interest on the Notes are paid in part, each such payment shall be applied in or towards satisfaction of the full amount of the arrears of interest on the Notes in respect of the earliest interest period or interest periods in respect of which arrears of interest on the Notes have not been paid in full.

Upon the occurrence of a Demutualization Event, the phrase "'—Optional Deferral of Interest Payments', '—Mandatory Deferral of Interest Payments' and '—Payment Stoppage'" in the immediately preceding paragraph shall be automatically amended to read as "'—Optional Deferral of Interest Payments' and '—Mandatory Deferral of Interest Payments'."

Arrears of interest shall become due and payable in full on whichever is the earlier of (i) the date set for any redemption of the Notes and (ii) the occurrence of any Subordination Event (but subject to subordination as set forth in "—Status of the Notes; Subordination").

Upon the occurrence of a Demutualization Event, "—Compulsory Interest Payments" below shall be added:

Compulsory Interest Payments

All interest accrued as of any Compulsory Interest Payment Date shall become due and payable in full on such Compulsory Interest Payment Date, subject to compliance with applicable regulatory requirements, including the prior consent of the FSA (if then required). A written notice of compulsory interest payment shall be given by Meiji Yasuda Life to the trustee not more than 15 days nor less than five Business Days prior to any Compulsory Interest Payment Date. Any optional deferral notice provided as to any amount due and payable on any Compulsory Interest Payment Date shall have no force or effect.

An Interest Payment Date shall constitute a "Compulsory Interest Payment Date" if, during a period of six months prior to such Interest Payment Date, (i) a dividend on any common stock or preferred stock, or any payment of interest (including any arrears of interest) or its equivalent on any junior securities or any Liquidation Parity Securities, of Meiji Yasuda Life was declared, paid or distributed, except where such *payment was compulsory under the terms of the relevant Liquidation Parity Securities or except for pro rata payments of accrued interest and arrears of interest of the relevant Liquidation Parity Securities as described under "—Arrears of Interest," or (ii) Meiji Yasuda Life or any subsidiary of Meiji Yasuda Life has repaid, redeemed, purchased or otherwise acquired all or part of any common stock, preferred stock, any junior securities or any Liquidation Parity Securities of Meiji Yasuda Life, except for a Permitted Purchase (as defined below); provided, however, that no Compulsory Interest Payment Date shall be deemed to occur if any Capital Deficiency Event has occurred or continued to occur during the period commencing immediately following the relevant event in (i) or (ii) above and ending on the relevant Interest Payment Date.*

"Permitted Purchase" means any of the following:

(a) any repayment, redemption, purchase or other acquisition which is required under the Companies Act;

(b) any purchase or acquisition which occurs as a result of a merger, amalgamation, consolidation or any other corporate reorganization; or

(c) any purchase or acquisition in connection with any incentive plan for employees, officers or directors, including any stock option plan or employee stock ownership plan.

Redemption

Final Redemption

Unless previously redeemed or purchased and cancelled as provided below and subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), each Note will be finally redeemed on October 20, 2045 at the principal amount of the Notes then outstanding together with accrued interest (including any arrears of interest) and any additional amounts thereon, provided that (i) Meiji Yasuda Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Meiji Yasuda Life procures Qualifying Financing in an amount not less than the amount of the redemption. "Qualifying Financing" includes issuance of foundation funds (*kikin*) and subordinated debt (*fusaisei shihon*) financing.

Upon the occurrence of a Demutualization Event, the last sentence of the immediately preceding paragraph shall be amended to read as follows:

"Qualifying Financing" includes issuance of shares and subordinated debt (*fusaisei shihon*) *financing.*

In the event that the Notes are not redeemed as a result of the failure of the conditions above, interest will continue to accrue and be paid on each Interest Payment Date until the first Interest Payment Date following October 20, 2045 on which the conditions above are fulfilled, which will be the final maturity date when the Notes will be finally redeemed at the principal amount of the Notes together with accrued interest (including any arrears of interest) and any additional amounts thereon in the manner and subject to the conditions stated above.

Meiji Yasuda Life shall deliver to the trustee a certificate signed by an authorized officer, not less than 30 nor more than 60 days prior to the final redemption date, stating that the conditions precedent to the final redemption have been or will be fulfilled. The trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent, in which event it shall be conclusive and binding on holders of the Notes.

Optional Redemption

The Notes may be redeemed at the option and sole discretion of Meiji Yasuda Life in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), on the First Call Date or any Reset Date, upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable), at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, provided that such early redemption may be permitted only if (i) Meiji Yasuda Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Meiji Yasuda Life procures Qualifying Financing in an amount not less than the amount of the redemption.

Meiji Yasuda Life shall deliver to the trustee a certificate signed by an authorized officer, not less than 30 nor more than 60 days prior to the redemption date, stating that the conditions precedent to its right so to redeem have been or will be fulfilled. The trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent, in which event it shall be conclusive and binding on holders of the Notes.

Optional Redemption Due to an Additional Amounts Event

The Notes may be redeemed at any time at the option and sole discretion of Meiji Yasuda Life in whole, but not in part, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable), at the principal amount of the Notes, together with interest accrued (including any arrears of interest) to the date fixed for redemption and any additional amounts thereon, if (i) Meiji Yasuda Life has been or will be obligated to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, or any change in application, or change or the stating of an official interpretation of such laws or regulations, which change or amendment becomes effective (or, in the case of the stating of an official interpretation, is announced) on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and (ii) such obligation cannot be avoided by Meiji Yasuda Life through the taking of reasonable measures available to Meiji Yasuda Life (an "Additional Amounts Event"); provided that such early redemption may be permitted only if (x) Meiji Yasuda Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (y) Meiji Yasuda Life procures Qualifying Financing in an amount not less than the amount of the redemption.

Meiji Yasuda Life shall deliver to the trustee not less than 30 nor more than 60 days prior to the redemption date, (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been or will be fulfilled and (ii) an opinion of independent tax advisers of recognized standing confirming that a change, amendment or stating of an official interpretation as described in the preceding paragraph has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent, in which event it shall be conclusive and binding on holders of the Notes.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which Meiji Yasuda Life would actually be obliged to pay such additional amounts.

Optional Special Event Redemption

The Notes may be redeemed at any time at the option and sole discretion of Meiji Yasuda Life in whole, but not in part, if a Special Event (as defined below) has occurred and is continuing, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), and upon giving not less than 30 nor more than 60 days' notice of redemption in writing to the trustee and the holders of the Notes (which notice shall be irrevocable) at a redemption price equal to (i) in the case of a redemption prior to the First Call Date, the Make-whole Amount (as defined below) and any additional amounts thereon or (ii) in the case of a redemption on or after the First Call Date, the principal amount of the Notes, together with interest accrued (including arrears of interest) to the date fixed for redemption, and any additional amounts thereon; provided that such early redemption may be permitted only if (x) Meiji Yasuda Life's solvency margin ratio after giving effect to the redemption is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (y) Meiji Yasuda Life procures Qualifying Financing in an amount not less than the amount of the redemption.

Meiji Yasuda Life shall deliver to the trustee not less than 30 nor more than 60 days prior to the redemption date, (i) a certificate signed by an authorized officer stating that the conditions precedent to its right to so redeem have been or will be fulfilled and (ii) in the case of a Tax Deductibility Event (as defined below), an opinion of independent tax advisers of recognized standing confirming that a change, amendment, decision, administrative action or official pronouncement as described in the definition of "Tax Deductibility Event" has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent, in which event it shall be conclusive and binding on the holders of the Notes.

"Make-whole Amount" means, as calculated by the calculation agent the higher of (i) the principal amount of the Notes plus accrued interest to the redemption date (including any arrears of interest) and (ii) an amount equal to the sum of (a) the present value of the principal amount of the Notes, assuming a repayment thereof on the First Call Date, plus the present value of the remaining interest scheduled to be paid (for the avoidance of doubt, excluding any accrued interest) to and including the First Call Date, in each case discounted from the First Call Date to the redemption date on the basis of a 360-day year of twelve 30-day months, at the applicable treasury yield plus the make-whole spread of 0.55%, and (b) accrued interest to the redemption date (including any arrears of interest). For purposes of this definition, the applicable "treasury yield" will be calculated as follows: Meiji Yasuda Life, in consultation with the calculation agent, will appoint three or more primary U.S. government securities dealers as reference dealers; provided, however, that if any such dealer ceases to be a primary U.S. government securities dealer, Meiji Yasuda Life will (in consultation with the calculation agent) substitute for such dealer another primary U.S. government securities dealer. Meiji Yasuda Life, in consultation with the calculation agent, will also appoint one of the reference dealers as the quotation agent. The quotation agent will select a U.S. Treasury security having a maturity comparable to the time period between the redemption date and the First Call Date, which would be used in accordance with customary financial practice to price new issues of corporate debt securities with a maturity comparable to such date. The reference dealers will provide the calculation agent with the bid and asked prices for that comparable U.S. Treasury security as of 5:00 p.m., New York City time, on the fifth Business Day before the redemption date. The calculation agent will calculate the average of the bid and asked prices provided by each reference dealer to obtain such reference dealer's quotation. The calculation agent will eliminate the highest and the lowest quotations and then calculate the average of the remaining quotations; provided, however, that if the calculation agent obtains fewer than four quotations, it will calculate the average of all the quotations without eliminating any of them. The average quotation is called the "Comparable Treasury Price." The applicable treasury yield will be determined by the quotation agent and will be the semi-annual equivalent yield to maturity of a security whose price is equal to the Comparable Treasury Price, in each case expressed as a percentage of its principal amount.

"Special Event" means any one of the following events:

(a) a "Regulatory Event," which means any amendment or change to the Insurance Business Act or related regulations (including any successor laws and regulations), or any official administrative pronouncement or judicial decision interpreting or applying such laws or regulations, that is publicly announced after the date of the issuance of the Notes and that results or will result (for the avoidance of doubt, including after giving effect to any applicable grandfathering or similar provisions) in the Notes (in whole or in part) no longer qualifying as subordinated debt (*fusaisei shihon*) under the Insurance Business Act or related regulations included in the determination of Meiji Yasuda Life's solvency margin ratio or as a similar class of regulatory capital included in the determination of such other measure of capital adequacy then used by the applicable regulatory requirements, and in each case, such disqualification cannot be avoided by Meiji Yasuda Life through the taking of reasonable measures available to Meiji Yasuda Life,

(b) a "Tax Deductibility Event," which means the occurrence of a more than insubstantial increase in the risk that interest payable by Meiji Yasuda Life on the Notes is not or will not be deductible by Meiji Yasuda Life, in whole or in part, for Japanese (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) tax purposes, as a result of (i) any change (including any officially announced proposed changes) in, or amendment to, the laws or regulations (or rulings promulgated thereunder) of Japan (or, in the case of a successor person not organized under the laws of Japan, such other jurisdiction of the successor person) or any political subdivision or any authority thereof or therein having power to tax, that becomes effective on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), or (ii) any administrative decision, judicial decision, administrative action or other official pronouncement interpreting or applying such laws, regulations or rulings that is announced on or after the date of the issuance of the Notes (or, in the case of a successor person not organized under the laws of Japan, on or after the date of succession), and, in each case, such non-deductibility cannot be avoided by Meiji Yasuda Life through the taking of reasonable measures available to Meiji Yasuda Life, or

(c) a "Rating Agency Event," which means a publication by Standard & Poor's or Moody's Investors Service (including any successors to their respective ratings businesses) that an amendment, clarification or change has occurred or will occur in the equity credit criteria, guidelines or methodology of such rating agency, which amendment, clarification or change results or will result in (i) the shortening of the length of time the Notes are assigned a particular level of equity credit by such rating agency as compared to the length of time the Notes would have been assigned that level of equity credit by such rating agency on the date of the issuance of the Notes, or (ii) a lower equity credit for the Notes than the equity credit assigned by such rating agency on the date of the issuance of the Notes.

No notice of redemption shall be given sooner than (i) in the case of a Regulatory Event, 90 days prior to the earliest date on which such disqualification would actually become effective with respect to the Notes, (ii) in the case of a Tax Deductibility Event, 90 days prior to the earliest date on which such additional tax liability as a result of such non-deductibility would actually become due with respect to Meiji Yasuda Life's interest payments on the Notes or (iii) in the case of a Rating Agency Event, 90 days prior to the earliest date on which such amendment, clarification or change would actually apply with respect to the Notes.

Purchases

Meiji Yasuda Life may, in its sole discretion, at any time, subject to compliance with applicable regulatory requirements, including prior consent of the FSA (if then required), purchase the Notes for cancellation in the open market or otherwise at any price, provided that such purchase may be permitted only if (i) Meiji Yasuda Life's solvency margin ratio after giving effect to the purchase is expected to remain at an adequate level within the meaning of the Insurance Business Act (including any successor legislation) and any applicable regulations, public notices or guidelines thereunder then in force, or (ii) Meiji Yasuda Life procures Qualifying Financing in an amount not less than the amount of the purchase.

Merger, Consolidation, Sale or Disposition

The Indenture provides that Meiji Yasuda Life may not merge or consolidate into any other corporation, entity or person (Meiji Yasuda Life not being the continuing entity), or sell, lease or dispose of its properties and assets substantially as an entirety, whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- the corporation, entity or person assumes or succeeds to the obligations of Meiji Yasuda Life under the Notes and the Indenture (and, if such corporation, entity or person is organized in a jurisdiction other than Japan, agrees to pay any additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of such corporation, entity or person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay additional amounts as described under "—Taxation and Additional Amounts," subject to exceptions substantially similar to the exceptions set forth therein, substituting such jurisdiction for references to "Japan"), and
- after giving effect thereto, no Event of Acceleration (as defined below) with respect to the Notes shall have occurred and be continuing.

Taxation and Additional Amounts

All payments by Meiji Yasuda Life or its paying agent of principal and interest in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required under Japanese law or by such authority.

In such event, Meiji Yasuda Life shall pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Notes under any of the following circumstances:

(i) the holder or beneficial owner of the Notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such Notes by reason of its (a) having some present or former connection with Japan other than the mere holding of such Notes or (b) being a specially-related person of Meiji Yasuda Life as described in Article 6, Paragraph (4) of the Special Taxation Measures Act;

(ii) the holder or beneficial owner of the Notes would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the relevant paying agent to whom the relevant Notes are presented (where presentation is required); or whose Interest Recipient Information is not duly communicated through the relevant International Clearing Organization Participant (as defined below) and the relevant international clearing organization to such paying agent;

(iii) the holder or beneficial owner of the Notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (a) a Designated Financial Institution that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (b) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the International Clearing Organization Participant or otherwise) the relevant paying agent of its status as not being subject to taxes to be withheld or deducted by Meiji Yasuda Life by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such Notes through a payment handling agent in Japan);

(iv) the Note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the Notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;

(v) the withholding or deduction is imposed pursuant to European Union Council Directive 2003/48/EC regarding the taxation of savings income or any directive amending, supplementing, or replacing such directive or any law implementing or complying with, or introduced in order to comply with, such directive or directives;

(vi) the withholding or deduction is imposed on a holder or beneficial owner that could have avoided such withholding or deduction by presenting its Notes (where presentation is required) to another paying agent;

(vii) the holder is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any Note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the holder of the Note; or

(viii) any combination of (i) through (vii) above.

For the avoidance of doubt, no additional amounts will be paid by Meiji Yasuda Life or the paying agent on the Notes with respect to any amounts deducted or withheld from a payment on the Notes pursuant to or in connection with FATCA.

Where the Notes are held through a participant of an international clearing organization or a financial intermediary (each, an “International Clearing Organization Participant”), in order to receive payments free of withholding or deduction by Meiji Yasuda Life for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Meiji Yasuda Life) or (ii) a Designated Financial Institution falling under certain categories prescribed by the Special Taxation

Measures Act, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, at the time of entrusting an International Clearing Organization Participant with the custody of the relevant Notes, provide certain information prescribed by the Special Taxation Measures Act (referred to in this section as "Interest Recipient Information") to enable the International Clearing Organization Participant to establish that such beneficial owner is exempted from the requirement for taxes to be withheld or deducted, and advise the International Clearing Organization Participant if the beneficial owner ceases to be so exempted (including the case where a beneficial owner that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of Meiji Yasuda Life).

Where Notes are not held through an International Clearing Organization Participant, in order to receive payments free of withholding or deduction by Meiji Yasuda Life for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (i) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of Meiji Yasuda Life) or (ii) a Designated Financial Institution, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent a Written Application for Tax Exemption (*hikazei tekiyo shinkokusho*) (referred to in this section as a "Written Application for Tax Exemption") in a form obtainable from the paying agent stating, *inter alia*, the name and address of the beneficial owner, the title of the Notes, the relevant Interest Payment Date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

By subscribing to the Notes, an investor will be deemed to have represented that it is a "Gross Recipient" for Japanese tax purposes. For more details regarding Japanese withholding tax, see "Taxation—Japanese Taxation."

Meiji Yasuda Life shall make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. Meiji Yasuda Life shall use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment or other governmental charge, and if certified copies are not available, Meiji Yasuda Life shall use reasonable efforts to obtain other evidence satisfactory to the trustee, and the trustee shall make such certified copies or other evidence available to the holders or the beneficial owners of the Notes upon reasonable request to the trustee.

The obligation to pay additional amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal or interest on the Notes; provided that, except as otherwise set forth in the Notes and in the Indenture, Meiji Yasuda Life will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery or registration of the Notes.

References to principal or interest in respect of the Notes shall be deemed to include any additional amounts due which may be payable as set forth in the Notes and the Indenture.

Events of Acceleration; Limited Rights of Acceleration

An "Event of Acceleration" with respect to the Notes means the occurrence of a Subordination Event.

In case an Event of Acceleration shall occur and be continuing, then interest on the Notes shall cease to accrue and the trustee may, or if so requested by the holders of not less than 25% in aggregate principal amount of the Notes then outstanding and subject to the trustee being secured, indemnified and/or prefunded to its satisfaction, shall, by written notice to Meiji Yasuda Life declare the principal of and all interest then accrued on the Notes to be forthwith due and payable upon receipt of such notice by Meiji Yasuda Life. Immediately upon delivery of such notice, the Notes shall become immediately due and payable, subject to the subordination provisions described herein.

If (i) a liquidation proceeding with respect to Meiji Yasuda Life shall be rescinded or terminated without distribution of assets pursuant to the Insurance Business Act, (ii) a court of competent jurisdiction shall rescind or terminate a bankruptcy action with respect to Meiji Yasuda Life without a distribution of assets pursuant to the Bankruptcy Act, (iii) a court of competent jurisdiction shall rescind or terminate a reorganization proceeding with respect to Meiji Yasuda Life whether having approved or without approving the reorganization plan pursuant to the Special Reorganization Act, (iv) a court of competent jurisdiction shall rescind or terminate a rehabilitation proceeding with respect to Meiji Yasuda Life whether having approved or without approving the rehabilitation plan pursuant to the Civil Rehabilitation Act, (v) a court of competent jurisdiction shall rescind or terminate any proceedings giving rise to an Event of Acceleration due to the occurrence of a Subordination Event under clause (e) of the definition of "Subordination Event" in "—Status of the Notes; Subordination," such rescission, termination or other event having an equivalent effect to that set forth in the foregoing clause (i), (ii), (iii) or (iv), as applicable, or (vi) if an Event of Acceleration with respect to the Notes shall otherwise be rescinded or terminated, then the Event of Acceleration shall have the same effect as if it had not occurred.

Upon the occurrence of a Demutualization Event, references to "the Insurance Business Act" and "the Special Reorganization Act" in subparagraphs (i) and (iii) of the immediately preceding paragraph shall be changed to "the Companies Act" and "the Corporate Reorganization Act," respectively.

Neither the trustee nor any holder of the Notes shall have any rights to accelerate the repayment of the Notes upon a default in the payment of principal of or interest on the Notes, upon the non-performance of any covenant of Meiji Yasuda Life in relation to the Notes or upon the happening of any other event in relation to the Notes other than a Subordination Event, and in such cases, payments on the Notes would remain subject to subordination.

Further Issues

Meiji Yasuda Life may from time to time, without the consent of the holders of the Notes, create and issue further notes having the same terms and conditions as the Notes in all respects except for the issue date, issue price and, in some cases, first Interest Payment Date. Additional Notes issued in this manner may be consolidated with and form a single series with the previously outstanding Notes. Any additional Notes that have the same CUSIP, ISIN or other identifying number as the outstanding Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes.

Indemnification of Judgment Currency

Meiji Yasuda Life will indemnify the trustee and each holder of a Note to the full extent permitted by applicable law against any loss incurred by the trustee and the holder as a result of any judgment or order being given or made for any amount due under the Note and the judgment or order being expressed and paid in a currency (the "Judgment Currency") other than U.S. dollars and as a result of any variation as between (i) the rate of exchange at which the U.S. dollar is converted into the Judgment Currency for the purpose of the judgment or order and (ii) the spot rate of exchange in The City of New York at which the trustee and the holder on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the Judgment Currency actually received by the trustee and the holder.

Modification and Waiver

Subject to the tenth paragraph under "—Status of the Notes; Subordination," modification and amendment of the Notes and the Indenture may be made by Meiji Yasuda Life and the trustee with the written consent of the holders of at least 66% in aggregate principal amount of the outstanding Notes; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of Meiji Yasuda Life to pay any additional amounts,

(ii) reduce the principal amount of, or rate of interest on, any Note,

(iii) affect the rights of holders of less than all the outstanding Notes,

(iv) change the place of payment where, or the coin or currency in which, any Note or interest thereon is payable, or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any Note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all Notes outstanding at the time, alter the respective percentages of outstanding Notes necessary under the Indenture to modify the terms of the Notes, waive past defaults or accelerate the payment of the principal amount of the Notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the Notes, Meiji Yasuda Life and the trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the trustee, for any of the following purposes:

(i) to evidence the succession of another corporation, entity or person to Meiji Yasuda Life and the assumption by any such successor of the covenants of Meiji Yasuda Life in the Indenture and the Notes,

(ii) to add to the covenants of Meiji Yasuda Life or to surrender any right or power in the Indenture conferred upon Meiji Yasuda Life for the benefit of the holders of the Notes,

(iii) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee,

(iv) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the Notes in any material respect, or

(v) to make any other change that does not adversely affect the interests of the holders of the Notes in any material respect.

In determining compliance with this “Modification and Waiver” section, the trustee shall be entitled to request and fully rely on an opinion of legal advisers and a certificate of an authorized officer.

Paying Agent

The paying agent shall initially be The Bank of New York Mellon. A paying agent shall be permitted to resign as paying agent upon 30 days’ written notice to Meiji Yasuda Life. In the event that the paying agent resigns or is removed, Meiji Yasuda Life shall appoint a bank or trust company acceptable to Meiji Yasuda Life to act as the successor paying agent. If the paying agent resigns but Meiji Yasuda Life fails to appoint a successor paying agent within the 30 day notice period, the resigning paying agent may (on behalf of and at the expense of Meiji Yasuda Life) appoint a bank or trust company, or may petition any court of competent jurisdiction for the appointment of a bank or trust company, as the successor paying agent.

Paying Agent in Singapore

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, Meiji Yasuda Life shall appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption, in the event that a global security is exchanged for definitive Notes. In addition, in the event that a global security is exchanged for definitive Notes, an announcement of such exchange shall be made by Meiji Yasuda Life or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

The Trustee

The trustee, The Bank of New York Mellon, is organized under the laws of the State of New York, with offices located at 101 Barclay Street, New York, NY 10286, U.S.A. In the absence of an Event of Acceleration with respect to the Notes, the trustee need only perform the duties specifically set forth in the Indenture. The Indenture provides that during the existence of an Event of Acceleration with respect to the Notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Indenture does not contain limitations on the rights of the trustee, should it be or become a creditor of Meiji Yasuda Life, to obtain payment of claims. The trustee is not precluded from engaging in other transactions and would not be obliged to account for profit, and if it has or acquires any conflicting interest, as defined in Section 310(b) of the U.S. Trust Indenture Act of 1939, as amended, it is not required to eliminate the conflict or resign.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the written request or direction of any holder, unless such holders have offered to the trustee security, indemnity and/or prefunding satisfactory to it against the costs, expenses (including the reasonable fees and expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000 and have an office or agent in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by Meiji Yasuda Life with the trustee or a paying agent for payment of principal of or interest and any additional amounts on any Note which remains unclaimed for two years after such principal, interest or additional amounts have become due and payable and paid to the trustee shall, upon Meiji Yasuda Life's written request (and subject to the claims of, or payments to, the trustee or any agent under or pursuant to the Indenture), be repaid to Meiji Yasuda Life, and all liability of the trustee or such paying agent with respect to such payments will cease, and, to the extent permitted by law, the holder of that Note shall thereafter look only to Meiji Yasuda Life for payment thereof as a general unsecured creditor.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

Meiji Yasuda Life has irrevocably and unconditionally submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court in the Borough of Manhattan, The City of New York over any legal suit, action or proceeding arising out of or relating to the Indenture or any Note; and waives, to the fullest extent it may effectively do so, any immunity and any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding and unconditionally waives and agrees not to plead or claim in any New York Court that any such action, suit or proceeding brought in such New York Court has been brought in an inconvenient forum. As long as any of the Notes remain outstanding, Meiji Yasuda Life will at all times have an authorized agent in The City of New York upon whom process may be served in any legal suit, action or proceeding arising out of or relating to the Indenture or any Note. Meiji Yasuda Life has appointed National Corporate Research, Ltd., located at 10 East 40th Street, 10th Floor, New York, NY 10016, U.S.A., as its agent for such purpose.

To the fullest extent permitted by applicable law, all parties (including Meiji Yasuda Life, the trustee and the holders of the Notes) waive any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes or the transactions contemplated thereby.

The Indenture provides that if any holder of a Note applies in writing to the trustee for information for the purpose of communicating with other holders of the Notes, the trustee must, upon satisfaction of certain conditions by such applicant, either afford such applicant access to such information or mail copies of the communication prepared by such applicant to the holders of the Notes, at the expense of such applicant.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal of, or interest on (including, in each case, any additional amounts, if applicable), any Notes after the applicable due date specified in the Notes, no holder of any Note shall have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (i) such holder has previously given written notice to the trustee of any of (a) a continuing Event of Acceleration, (b) default by Meiji Yasuda Life with respect to the covenant described under "—Merger, Consolidation, Sale or Disposition," or (c) default made in the performance by Meiji Yasuda Life of any other obligation under the Indenture or the Notes which continues for 60 days after notice of such default is given to Meiji Yasuda Life by the trustee or the holders of not less than 10% in principal amount of the Notes; (ii) the holders of not less than 25% in aggregate principal amount of the Notes shall have made written request to the trustee to institute proceedings in respect of such event or default in its own name as trustee; (iii) such holder or holders have offered to the trustee indemnity, security and/or prefunding against the costs, expenses and liabilities to be incurred in compliance with such request; (iv) the trustee for 60 days after its receipt of such notice, request and offer of indemnity, security and/or pre-funding has failed to institute any such proceeding; and (v) no direction inconsistent with such written request has been given to the trustee during such 60 day period by the holders of a majority in aggregate principal amount of the Notes.

No holder of any Note shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holder, or to obtain or to seek to obtain priority or preference over any other holder or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all holders.

Undertaking for Costs

In any suit for the enforcement of any right or remedy under the Indenture or against the trustee for any action taken, suffered or omitted by it as trustee, other than a suit instituted by the trustee, a holder or group of holders holding more than 10% in aggregate principal amount of the outstanding Notes, or by any holder for the enforcement of the payment of the principal of or interest on any outstanding Note on or after the due date expressed in such Note, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit.

Book-Entry; Delivery and Form

DTC, Euroclear and Clearstream

The Notes will initially be issued to investors only in book-entry form. The Notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully registered global securities (the "Regulation S Global Securities") and the Notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully registered global securities (the "Rule 144A Global Securities"). The global securities will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the Notes. The global securities will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The Notes (including beneficial interests in the global securities) will be subject to certain restrictions on transfer set forth in the Notes and the Indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the Indenture).

Beneficial interests in a Regulation S Global Security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Security upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A Global Security may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Security without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A Global Security may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Security only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S or Rule 144A under the Securities Act.

Any beneficial interest in one of the global securities that is transferred to an entity that takes delivery in the form of an interest in another global security will upon transfer, cease to be an interest in such global security and become an interest in the other global security and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global security for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global securities will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers, securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until definitive Notes are issued, the only holder of the Notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC and its participants, including Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by NYSE Euronext and the Financial Industry Regulatory Authority. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear SA/NV, a credit institution under the Belgian Banking Act. All operations are conducted by the Euroclear operator and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Clearstream has advised us that it is incorporated as a limited liability company under Luxembourg law. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in a number of countries. As a licensed credit institution in Luxembourg, Clearstream is supervised by the *Commission de Surveillance du Secteur Financier*. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of Notes within the DTC system must be made by or through DTC participants, which will receive a credit for the Notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of Notes, i.e., a beneficial owner of an interest in a global security, will in turn be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global security will not receive written confirmation from DTC of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the Notes. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global security. Beneficial owners of interests in a global security will not receive certificates representing their ownership interests in the Notes unless use of the book-entry system for the Notes is discontinued.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global security. DTC's records reflect only the identity of the DTC participants to whose accounts those Notes are credited, which may or may not be the beneficial owners of interests in a global security. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those Notes are credited, which also may or may not be the beneficial owners of interests in a global security. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global security, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the global security for all purposes under the Notes and the Indenture. No beneficial owner of an interest in a global security will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised Meiji Yasuda Life that it will take any action permitted to be taken by a holder of Notes, including the presentation of Notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global securities are credited and only in respect of that portion of the aggregate principal amount of Notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global security will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will send any notices in respect of the Notes held in book-entry form to Cede & Co.

Payment of principal of and interest on the Notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global security will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or Meiji Yasuda Life, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the Notes or other amounts to DTC is the responsibility of Meiji Yasuda Life, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global security is the responsibility of participants and indirect participants.

The principal amount of the Notes in definitive form will be payable by check, drawn on a bank in The City of New York, upon presentation and surrender of the Notes at Meiji Yasuda Life or at the office of the trustee located at 101 Barclay Street, New York, NY 10286, U.S.A., or at such other place or places as the trustee shall designate by notice to the holders of the Notes. Interest on the Notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the Notes, or one or more predecessor Notes, are registered on each Interest Payment Record Date. Notwithstanding the foregoing, the person in whose name a Note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (i) in the case of a payment of interest, prior to the Interest Payment Record Date immediately preceding the Interest Payment Date on which such payment is due and (ii) in the case of payment of principal on the maturity date, prior to the Interest Payment Record Date immediately preceding the maturity date, provided that in the case of such payment of principal, the Note shall have been surrendered to the trustee for payment together with such notice.

Except as described in this offering circular, a beneficial owner of an interest in a global security will not be entitled to receive physical delivery of Notes. Accordingly, each beneficial owner of an interest in a global security must rely on the procedures of DTC to exercise any rights under the Notes.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global securities among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. None of Meiji Yasuda Life, the trustee, the notes registrar or the paying agent will have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the Notes at any time by giving notice to Meiji Yasuda Life. Under those circumstances, definitive Notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that Meiji Yasuda Life believes to be reliable, but Meiji Yasuda Life takes no responsibility for the accuracy thereof.

Exchange of Global Securities for Definitive Notes

If (i) DTC is at any time unwilling or unable to continue as a depositary for the global securities and a successor depositary is not appointed by Meiji Yasuda Life within 90 days or (ii) there shall have occurred and be continuing an Event of Acceleration with respect to the Notes, definitive Notes will be issued in exchange for the global securities. Definitive Notes delivered in exchange for beneficial interests in any global securities will be registered in the names, and issued with a minimum denomination of $200,000 or integral multiples of $1,000 in excess thereof, requested by or on behalf of DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

Trustee's Powers

In considering the interests of holders of the Notes while title to the Notes is registered in the name of a nominee of DTC, the trustee may (but will not be obliged to) rely conclusively upon any information made available to it by DTC as to the identity (either individually or by category) of its participants with entitlements to Notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the Notes. See "—The Trustee."

Registration, Transfer and Exchange

The notes registrar will maintain at its principal office currently located at 101 Barclay Street, New York, NY 10286, U.S.A., a notes register with respect to the Notes. The name of the registered holder of each Note will be recorded in the notes register. Meiji Yasuda Life, the trustee and each agent may treat the person in whose name any Note is registered as the absolute owner of the Note for all purposes and none of them shall be affected by any notice to the contrary.

At the option of the holder of a Note, subject to the restrictions contained in the Note and in the Indenture, the Note may be transferred or exchanged for a like aggregate principal amount of Notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the trustee's notice upon written request received from such holder of a Note accompanied by proof of the holder's holding of Notes satisfactory to the trustee. Any Note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to Meiji Yasuda Life duly executed, by the holder thereof or his attorney duly authorized in writing (with the signatures guaranteed in satisfactory form). Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be the designated transferee or transferees and delivered at the notes registrar's office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees.

No service charge, other than any cost of delivery, shall be imposed for any transfer or exchange of Notes, but Meiji Yasuda Life may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

Taxation

Japanese Taxation

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the Notes. It does not purport to be a comprehensive description of the tax treatment of the Notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan all as in effect on the date of this offering circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this offering circular are to be regarded as advice on the tax position of any holder or beneficial owner of the Notes or any person subscribing for, purchasing, selling or otherwise dealing in the Notes or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the Notes.

The Notes

The Notes do not fall under the concept of so called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order (such other person is hereinafter referred to as a "Specially-Related Person").

Representation of Gross Recipient Status upon Initial Distribution

By subscribing for the Notes, an investor will be deemed to have represented that it is a "Gross Recipient" which means (i) a holder or beneficial owner of the Notes that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation (a "Resident Holder"), nor an individual non-resident of Japan or a non-Japanese corporation (a "Non-Resident Holder") that, in either case, is a Specially-Related Person, (ii) a Japanese bank, Japanese insurance company, Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-2-2, Paragraph (29) of the Cabinet Order that will hold Notes for its own proprietary account (each, a "Designated Financial Institution") or (iii) a Resident Holder whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order (a "Japanese Payment Handling Agent"). The Notes are not as part of the initial distribution by the Initial Purchasers at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient.

Interest Payments on Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the Notes, where the Notes are issued by Meiji Yasuda Life outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

1. Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the Notes is a Non-Resident Holder for Japanese tax purposes, as described below, the Japanese tax consequences on such Non-Resident Holder are significantly different depending upon whether such Non-Resident Holder is a Specially-Related Person. Most importantly, if such Non-Resident Holder is a Specially-Related Person, income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest will be withheld by Meiji Yasuda Life under Japanese tax law.

(1) If the recipient of interest on the Notes is a Non-Resident Holder that is not a Specially-Related Person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the Notes is not attributable to the business of such Non-Resident Holder carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant Notes are held through certain participants in an international clearing organization such as the DTC, Euroclear and Clearstream or certain financial intermediaries prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder, the "Law") (each such participant or financial intermediary, a "Participant"), the requirement to provide, at the time of entrusting a Participant with the custody of the relevant Notes, certain information (the "Interest Recipient Information") prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the Participant if such Non-Resident Holder ceases to be so exempted (including the case where it became a Specially-Related Person); and

(ii) if the relevant Notes are not held through a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (the "Written Application for Tax Exemption") together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the Interest Recipient Information is not duly communicated through a Participant or to the relevant paying agent as required under the Law) will result in the withholding by Meiji Yasuda Life of income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest.

(2) If the recipient of interest on the Notes is a Non-Resident Holder having a permanent establishment within Japan and the receipt of interest is attributable to the business of such Non-Resident Holder carried on within Japan through such permanent establishment, such interest will not be subject to a 15% (or 15.315% for the period up to and including December 31, 2037) withholding tax by Meiji Yasuda Life, if the recipient provides the Interest Recipient Information or submits the Written Application for Tax Exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by Meiji Yasuda Life of income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%) of the amount of such interest. The amount of such interest will be aggregated with the recipient's other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

2. Resident Holders, and Non-Resident Holders that are Specially-Related Persons

Payments of interest on the Notes to be made to a Resident Holder (except for (a) a Designated Financial Institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a Japanese public corporation, a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by Article 3-3, Paragraph (6) of the Special Taxation Measures Act receiving interest through a Japanese Payment Handling Agent with custody of the Notes in compliance with the requirements under Article 2-2 of the Cabinet Order) or to a Non-Resident Holder that is a Specially-Related Person, will be subject to deduction in respect of Japanese income tax at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%).

For an individual resident of Japan and an individual non-resident of Japan that is a Specially-Related Person having a permanent establishment in Japan, interest on the Notes in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified bonds and listed shares, and is subject to income taxation by reporting at the rate of 15% (for the period up to and including December 31, 2037, at the rate of 15.315%). Such interest income may be offset against capital losses arising from sale of certain specified bonds or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a Specially-Related Person having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a Non-Resident Holder becomes a Specially-Related Person, and if such Notes are held through a Participant, then such Non-Resident Holder is required to notify the Participant of such change in status by the immediately following interest payment date of the Notes. As the status of such Non-Resident Holder as a Specially-Related Person for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of Meiji Yasuda Life in which the relevant interest payment date falls, such Non-Resident Holder should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such Non-Resident Holder as being a Specially-Related Person.

The Japanese withholding tax imposed upon interest on the Notes paid to a Non-Resident Holder that is a Specially-Related Person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such Non-Resident Holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of Notes outside Japan by a Non-Resident Holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the Notes in connection with the issue of the Notes, or will such taxes be payable by holders of the Notes in connection with their transfer if such transfer takes place outside Japan. Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the Notes from another individual as legatee, heir or donee.

Certain U.S. Federal Income Tax Considerations

The following is a description of certain U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the Notes. This discussion applies only to U.S. Holders that (i) purchase Notes in this offering at their "issue price," which will be the first price at which a substantial amount of Notes is sold to the public (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and (ii) hold the Notes as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, consequences arising from the Medicare contribution tax on "net investment income" and other tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or certain traders in securities;
- persons holding Notes as part of a hedge, "straddle" or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes or partners therein;
- tax-exempt entities; or
- persons holding Notes in connection with a trade or business conducted outside of the United States.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and U.S. Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based, in part, on certain representations from Meiji Yasuda Life.

As used herein, a "U.S. Holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Federal Income Tax Classification of the Notes

The proper characterization of the Notes for U.S. federal income tax purposes is uncertain. To the extent required for U.S. federal income tax purposes, we intend to treat the Notes as non-contingent debt obligations that are deemed to mature on October 20, 2025. Our characterization is binding on U.S. Holders, unless a U.S. Holder discloses on its U.S. federal income tax return that it is treating the Notes in a manner inconsistent with our characterization. However, our treatment of the Notes is not binding on the U.S. Internal Revenue Service (the "IRS") or the courts, and no ruling is being requested from the IRS with respect to the proper characterization of the Notes for U.S. federal income tax purposes. By acquiring an interest in a Note, each U.S. Holder agrees to treat the Notes as non-contingent indebtedness that matures on October 20, 2025 for U.S. federal income tax purposes, and the remainder of this discussion assumes such treatment.

The Notes may be subject to alternative possible characterizations. For example, because of certain features of the Notes, such as their subordination to creditor claims and the optional (and in certain circumstances, mandatory) deferral of payments thereon, the Notes could be recharacterized as our equity for U.S. federal income tax purposes. Alternatively, the Notes may be recharacterized as "contingent payment debt instruments." Any recharacterization of the Notes might affect the timing, amount and character of income inclusions on the Notes. Prospective purchasers of Notes are urged to consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Notes (including under any alternative characterization).

Interest Income and Original Issue Discount

In general, notes are treated as issued with original issue discount ("OID") if their "stated redemption price at maturity" exceeds their issue price (i.e., the first price at which a substantial amount of notes are sold other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) by more than a de minimis amount. A note's stated redemption price at maturity is the total of all payments under the note other than "qualified stated interest." Generally, in order to be qualified stated interest, interest on a note must be unconditionally payable. Interest is considered unconditionally payable only if reasonable legal remedies exist to compel timely payment or the note otherwise provides terms and conditions that make the likelihood of late payment (other than a late payment within a reasonable grace period) or non-payment a remote contingency.

Because of our option to defer interest payments, none of the stated interest on the Notes will be considered unconditionally payable for purposes of the definition of qualified stated interest. As a result, all of the interest payable on the notes will be treated as OID, and U.S. Holders will be required to include OID in income as it accrues, regardless of the holder's regular method of accounting, which may be in advance of the receipt of cash attributable to that income. OID will accrue on the Notes according to the constant-yield-to-maturity method of accrual. A U.S. Holder will not be required to separately report the actual payments of interest on the Notes as taxable income. Assuming that our treatment of the Notes as non-contingent debt obligations which mature on October 20, 2025 is respected and interest on the Notes is not optionally or mandatorily deferred, a U.S. Holder that uses the accrual method of accounting should therefore generally be required to accrue an amount of OID equal to the next stated interest payment during each accrual period and therefore should be subject to tax on an amount equal to the stated interest for each accrual period.

If the Notes are not redeemed on October 20, 2025, solely for purposes of determining the interest accruals on the Notes, the Notes would be treated as if they were redeemed and new notes that pay interest at the reset interest rate were issued on that date. U.S. Holders would accrue the reset interest as OID for each accrual period in a similar manner to that described for fixed-rate interest above.

If any interest payment were deferred, the amount of OID that a U.S. Holder would be required to include in income for each accrual period following such deferral would depend on whether interest payments are optionally or mandatorily deferred.

Meiji Yasuda Life currently does not intend to exercise its right to optionally defer payments of interest on the Notes and believes that the possibility of mandatory deferral is remote.

U.S. Holders should consult their tax advisers regarding the application of the OID rules including the amount and timing of OID accruals in the case that the Notes are not redeemed on October 20, 2025 or any interest payment is deferred in their particular circumstances.

Sale, Exchange, Redemption or Other Disposition of Notes

Upon the sale, exchange, redemption or other disposition of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or other disposition and such U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its initial purchase price, increased by OID previously includible in such U.S. Holder's gross income to the date of disposition and decreased by payments received on the Note since and including the issue date. Gain or loss on the Notes generally will be capital gain or loss and generally will be long-term capital gain or loss if the Note has been held for more than one year. A U.S. Holder that is an individual is generally entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to deduct capital losses is limited.

Backup Withholding and Information Reporting

Payments on the Notes and proceeds from sales or other dispositions of the Notes that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Benefit Plan Investor Considerations

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the Notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, “Plans”), from engaging in certain transactions involving the “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under Section 4975 of the Code (in either case, “Parties in Interest”) with respect to such Plans. As a result of our business, we, and our current and future affiliates, may be Parties in Interest with respect to many Plans. Where we (or our affiliate) are a Party in Interest with respect to a Plan (either directly or by reason of our ownership interests in our directly or indirectly owned subsidiaries), the purchase and holding of the Notes by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless exemptive relief were available under an applicable exemption (as described below).

Certain prohibited transaction class exemptions (“PTCEs”) issued by the U.S. Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of the Notes and related lending transactions, provided that neither we nor any of our affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Accordingly, the Notes may not be purchased or held by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity or any person investing “plan assets” of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or there is some other basis on which the purchase and holding of the Notes will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each purchaser or holder of the Notes or any interest therein will be deemed to have represented by its purchase or holding of the Notes that (a) it is not a Plan and its purchase and holding of the Notes is not made on behalf of or with “plan assets” of any Plan or (b) its purchase and holding of the Notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Certain governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (“Non-ERISA Arrangements”) are not subject to these “prohibited transaction” rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations (“Similar Laws”). Accordingly, each such purchaser or holder of the Notes shall be required to represent (and deemed to have represented by its purchase of the Notes) that such purchase and holding is not prohibited under applicable Similar Laws.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of or with “plan assets” of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1, 84-14, the service provider exemption or some other basis on which the acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any applicable Similar Laws.

Each purchaser and holder of the Notes has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any Notes to any Plan is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are being offered in accordance with Rule 144A and Regulation S under the Securities Act. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, they may not be offered, sold, pledged or otherwise transferred or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used as defined therein.

Notes Offered in Reliance on Rule 144A

Each purchaser of the Notes offered in reliance on Rule 144A will be deemed to have represented and agreed as follows:

- the purchaser is a QIB; aware that the sale of the Notes to it is being made in reliance on Rule 144A; and acquiring the Notes for its own account or for the account of a QIB, as the case may be;
- the purchaser understands that the Notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred, except:
  - to a person who the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of another QIB in a transaction meeting the requirements of Rule 144A;
  - in an offshore transaction complying with Regulation S;
  - pursuant to any other exemption from, or in a transaction not subject to, registration under the Securities Act; or
  - either (i) no portion of the assets used by the purchaser to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), any plan, individual retirement account or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (each a “Similar Law”), or any entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law; and
- in each case, in accordance with all applicable securities laws of the states of the United States.

The global securities representing the Notes sold in reliance on Rule 144A will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, (A) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)), (B) AGREES FOR THE BENEFIT OF THE ISSUER THAT THE SECURITIES MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE ISSUER OF THIS SECURITY OR A SUBSIDIARY THEREOF, (2) TO A QUALIFIED INSTITUTIONAL BUYER, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO ANY OTHER EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) AND (C) REPRESENTS THAT EITHER (X) IT IS NOT, AND IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF, ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” WITHIN THE

MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE AND HOLDING OF THE SECURITIES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. AS A CONDITION TO THE REGISTRATION OF THE TRANSFER IN ACCORDANCE WITH (4) ABOVE, THE ISSUER OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. THE LEGEND MAY ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

No representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Notes.

Notes Offered in Reliance on Regulation S

Each purchaser of the Notes offered in reliance on Regulation S will be deemed to have represented and agreed as follows:

- the purchaser is a non-U.S. person acquiring the Notes in an offshore transaction in accordance with Regulation S;
- the purchaser understands that the Notes have not been and will not be registered under the Securities Act and, until 40 days after the later of the commencement of the sale of the Notes and the date of the original issuance of the Notes, may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act; and
- either (i) no portion of the assets used by the purchaser to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to Section 4975 of the Code or provisions under any Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by the purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law.

The global securities representing the Notes sold in reliance on Regulation S will bear a legend to the following effect unless we determine otherwise in compliance with applicable law:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. THE ISSUER HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO. THE HOLDER REPRESENTS THAT EITHER (X) IT IS NOT, AND IS NOT PURCHASING OR HOLDING THE SECURITIES ON BEHALF OF OR WITH THE ASSETS OF, ANY PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, SUCH AS AN INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF SUCH PLAN'S INVESTMENT THEREIN OR ANY PLAN OR ARRANGEMENT THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW SIMILAR TO ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (Y) ITS PURCHASE AND HOLDING OF THE SECURITIES WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF SIMILAR LAW.

Plan of Distribution

Under the terms and subject to the conditions set forth in a purchase agreement, dated October 15, 2015, (the "purchase agreement") between us and the initial purchasers named below, for whom J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC are acting as the representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the Notes listed opposite their names below.

Initial purchasers	Principal amount
J.P. Morgan Securities LLC	$1,020,000,000
Morgan Stanley & Co. LLC	700,000,000
Mizuho Securities USA Inc.	200,000,000
Daiwa Capital Markets America Inc.	20,000,000
Nomura Securities International, Inc.	20,000,000
SMBC Nikko Capital Markets Limited	20,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	10,000,000
Citigroup Global Markets Inc.	10,000,000
Total	$2,000,000,000

The initial purchasers have advised us that they propose initially to offer the Notes at the issue price listed on the cover page of this offering circular. After the initial offering, the price to investors may be changed. The initial purchasers have agreed to purchase the Notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the Notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the Notes subject to their acceptance of the Notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the Notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the Notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The Notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers in offshore transactions outside the United States in reliance on Regulation S under the Securities Act and by initial purchasers or affiliates of certain of the initial purchasers to QIBs in the United States in reliance on Rule 144A under the Securities Act.

Price Stabilization

In connection with the offering, J.P. Morgan Securities LLC, as the Stabilization Manager, and/or any person acting on behalf thereof may purchase and sell the Notes in the open market and engage in other transactions, subject to applicable laws and regulations. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilization Manager and/or any person acting on behalf thereof of a greater principal amount of the Notes than they are required to purchase from us in the offering. Stabilizing transactions consist of bids or purchases by the Stabilization Manager and/or any person acting on behalf thereof for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. These transactions may also include stabilizing transactions by the Stabilization Manager and/or any person acting on behalf thereof for the accounts of the initial purchasers.

In addition, the Stabilization Manager and/or any person acting on behalf thereof may impose a penalty bid. A penalty bid is an arrangement that permits the Stabilization Manager and/or any person acting on behalf thereof to reclaim a selling concession from a syndicate member in connection with the offering when the Notes originally sold by the syndicate member are purchased in syndicate covering transactions.

These activities may stabilize, maintain or otherwise affect the market prices of the Notes. As a result, the price of the Notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time.

No Sale of Similar Securities

We have agreed that, during a period of 30 days from the date of this offering circular, we will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or agree to sell, or otherwise transfer or dispose of, any other debt securities with a maturity greater than one year, or guarantee any debt securities with a maturity greater than one year.

New Issues of the Notes

The Notes are new issues of securities with no established trading market. In addition, the Notes are subject to certain restrictions on resale and transfer as described under "Transfer Restrictions" and "Benefit Plan Investor Considerations." Approval in-principle has been received for the listing of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST, the Notes will be traded on the SGX-ST in a minimum board lot size of $200,000. The initial purchasers have advised us that they presently intend to make a market in the Notes after completion of this offering. Such market making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the Notes may not develop. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If such Notes are traded, they may trade at a discount from the initial issue price, depending on the market for similar securities, our performance and other factors. See "Risk Factors—Risks Related to the Notes—The market for the Notes may be limited."

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the Notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the Notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the Notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

Each initial purchaser has agreed that it will offer and sell the Notes as part of its distribution of the Notes under the purchase agreement at any time only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act.

The Notes have not been registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The initial purchasers, or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the Notes in the United States exclusively to persons reasonably believed by them to be QIBs in reliance on the exemption from registration provided by Rule 144A under the Securities Act and each United States purchaser of the Notes is hereby notified that the offer and sale of the Notes to it is being made in reliance upon such exemption. The offering of the Notes outside the United States will be made in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act.

Japan

The Notes have not been and will not be registered under the FIEA and are subject to the Special Taxation Measures Act. Each of the initial purchasers has agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and government guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution at any time, directly or indirectly offer or sell the Notes to, or for the benefit of, any person other than (a) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with Meiji Yasuda Life as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, (b) a Japanese financial institution, designated in Article 3-2-2, Paragraph (29) of the Cabinet Order relating to the Special Taxation Measures Act or (c) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes is made through a payment handling agent in Japan as defined in Article 2-2, Paragraph (2) of the Cabinet Order relating to the Special Taxation Measures Act.

Member States of the European Economic Area

In relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by Meiji Yasuda Life for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require Meiji Yasuda Life or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each initial purchaser has represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by Meiji Yasuda Life;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to Meiji Yasuda Life; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each initial purchaser represents, warrants and agrees that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each initial purchaser acknowledges that this offering circular has not been registered as a prospectus with the MAS. Accordingly, each initial purchaser represents, warrants and agrees that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Stamp Taxes and Other Charges

Purchasers of the Notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses. Mitsubishi UFJ Morgan Stanley Co., Ltd. is acting as our financial advisor in connection with our proposed acquisition of StanCorp. For more information on the proposed acquisition, see "Proposed Acquisition of StanCorp." Morgan Stanley & Co. LLC, one of the initial purchasers, is a wholly owned subsidiary of Morgan Stanley, which owns a 40% stake in Mitsubishi UFJ Morgan Stanley Co., Ltd.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours, any of our affiliates or related to our business. If any of the initial purchasers or their affiliates have a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

Legal Matters

Certain legal matters will be passed upon for us by Morrison & Foerster LLP as to matters of U.S. federal and New York law and Anderson Mori & Tomotsune as to matters of Japanese law. Certain legal matters will be passed upon for the initial purchasers by Davis Polk & Wardwell LLP as to matters of U.S. federal and New York law and Nagashima Ohno & Tsunematsu as to matters of Japanese law.

Independent Auditors

Our consolidated financial statements and non-consolidated financial statements as of and for the years ended March 31, 2013, 2014 and 2015, in each case prepared in accordance with Japanese GAAP, included in this offering circular have been audited by KPMG AZSA LLC, our independent auditor, as stated in their report included herein.

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Index to Financial Statements

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Independent Auditor's Report

To the Board of Directors of Meiji Yasuda Life Insurance Company:

We have audited the accompanying consolidated financial statements of Meiji Yasuda Life Insurance Company and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013, 2014 and 2015, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Meiji Yasuda Life Insurance Company and its consolidated subsidiaries as at March 31, 2013, 2014 and 2015, and their financial performance and cash flows for the years then ended in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in comformity with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 24 Subsequent Events to the consolidated financial statements. Meiji Yasuda Life Insurance Company entered into a definitive agreement to acquire 100% of the outstanding shares of StanCorp Financial Group, Inc. on July 23 (July 24, Japan local time), 2015.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC
August 28, 2015
Tokyo, Japan

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Balance Sheets

As of March 31	Millions of Yen 2013	Millions of Yen 2014	Millions of Yen 2015	Millions of U.S. Dollars 2015
ASSETS:				
Cash and deposits (Notes 3 and 4)	¥ 253,299	¥ 235,740	¥ 240,038	$ 1,960
Call loans (Note 3)	369,000	244,000	368,000	3,005
Monetary claims bought (Note 4)	265,252	233,622	229,523	1,874
Securities (Notes 4, 5, 6, and 7)	25,611,969	27,201,316	29,256,897	238,929
Loans (Notes 4, 8, and 9)	5,213,965	5,157,335	5,076,391	41,456
Tangible fixed assets (Notes 10, 11, and 12)				
Land	637,711	630,643	621,684	5,077
Buildings	333,154	314,717	301,346	2,460
Construction in progress	2,352	3,650	6,045	49
Other tangible fixed assets	4,463	4,074	3,454	28
Subtotal	977,682	953,085	932,531	7,615
Intangible fixed assets				
Software	29,275	37,779	37,788	308
Other intangible fixed assets	28,163	20,644	26,394	215
Subtotal	57,439	58,423	64,183	524
Due from agents	1,628	1,644	1,647	13
Reinsurance receivables	1,400	2,899	675	5
Other assets	313,838	228,003	317,794	2,595
Net defined benefit assets (Note 13)	–	2,461	74,345	607
Deferred tax assets (Note 14)	1,718	2,313	1,779	14
Customers' liabilities under acceptances and guarantees	22,958	21,344	20,848	170
Allowance for possible loan losses	(9,529)	(8,135)	(5,034)	(41)
Total assets	¥ 33,080,624	¥ 34,334,054	¥ 36,579,624	$ 298,731

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Balance Sheets (continued)

	Millions of Yen			Millions of U.S. Dollars
As of March 31	2013	2014	2015	2015
LIABILITIES:				
Policy reserves and other reserves				
Reserve for outstanding claims	¥ 116,136	¥ 120,064	¥ 114,465	$ 934
Policy reserves	27,858,167	29,264,143	30,225,061	246,835
Policyholders' dividend reserves (Note 15)	280,524	270,023	253,414	2,069
Subtotal	**28,254,829**	**29,654,231**	**30,592,941**	**249,840**
Due to agents	**16**	**15**	**9**	**0**
Reinsurance payables	**1,399**	**3,030**	**804**	**6**
Other liabilities	**1,451,428**	**1,063,093**	**700,186**	**5,718**
Accrued retirement benefits (Note 13)	**757**	**—**	**—**	**—**
Net defined benefit liabilities (Note 13)	**—**	**814**	**1,084**	**8**
Accrued retirement benefits for directors and executive officers (Note 17)	**393**	**183**	**92**	**0**
Reserve for contingent liabilities (Note 18)	**2,563**	**14**	**2**	**0**
Reserve for price fluctuation	**364,297**	**481,293**	**492,907**	**4,025**
Deferred tax liabilities (Note 14)	**176,780**	**122,404**	**504,535**	**4,120**
Deferred tax liabilities for land revaluation	**94,555**	**92,910**	**85,877**	**701**
Acceptances and guarantees	**22,958**	**21,344**	**20,848**	**170**
Total liabilities	**30,369,979**	**31,439,336**	**32,399,288**	**264,591**
NET ASSETS:				
Foundation funds (Note 19)	**210,000**	**260,000**	**260,000**	**2,123**
Reserve for redemption of foundation funds (Note 19)	**410,000**	**410,000**	**470,000**	**3,838**
Reserve for revaluation	**452**	**452**	**452**	**3**
Surplus	**344,913**	**432,095**	**472,533**	**3,858**
Total funds, reserve and surplus	**965,365**	**1,102,548**	**1,202,986**	**9,824**
Net unrealized gains on available-for-sale securities	**1,641,055**	**1,739,783**	**2,838,597**	**23,181**
Deferred unrealized gains on derivatives under hedge accounting	**3,815**	**944**	**15,456**	**126**
Land revaluation differences	**107,619**	**106,051**	**118,988**	**971**
Foreign currency translation adjustments	**(10,707)**	**7,207**	**22,894**	**186**
Remeasurements of defined benefit plans	**—**	**(66,062)**	**(22,862)**	**(186)**
Total accumulated other comprehensive income	**1,741,784**	**1,787,925**	**2,973,074**	**24,279**
Minority interests	**3,495**	**4,243**	**4,274**	**34**
Total net assets	**2,710,645**	**2,894,717**	**4,180,335**	**34,139**
Total liabilities and net assets	**¥ 33,080,624**	**¥ 34,334,054**	**¥ 36,579,624**	**$ 298,731**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
ORDINARY INCOME:				
Insurance premiums and other	¥ 3,679,866	¥ 3,638,255	¥ 3,431,497	$ 28,023
Investment income				
Interest, dividends and other income	623,353	669,740	698,484	5,704
Gains on money held in trust	0	0	0	0
Gains on sales of securities	151,467	220,576	186,293	1,521
Gains on redemption of securities	5,358	36,416	58,075	474
Foreign exchange gains	746	14	–	–
Reversal of allowance for possible loan losses	489	1,371	2,875	23
Other investment income	134	791	899	7
Investment gains on separate accounts	82,950	52,769	83,806	684
Subtotal	**864,501**	**981,679**	**1,030,435**	**8,415**
Other ordinary income	**184,367**	**161,482**	**137,909**	**1,126**
Total ordinary income	**4,728,735**	**4,781,417**	**4,599,843**	**37,565**
ORDINARY EXPENSES:				
Benefits and other payments				
Claims paid	806,186	678,439	642,721	5,248
Annuity payments	529,345	616,310	849,963	6,941
Benefit payments	474,940	452,546	430,363	3,514
Surrender benefits	408,472	438,005	453,264	3,701
Other refunds	81,659	102,098	231,236	1,888
Subtotal	**2,300,604**	**2,287,401**	**2,607,548**	**21,294**
Provision for policy reserves and other reserves				
Provision for reserve for outstanding claims	–	3,700	–	–
Provision for policy reserves	1,342,731	1,399,225	955,304	7,801
Provision for interest on policyholders' dividend reserves (Note 15)	522	490	461	3
Subtotal	**1,343,254**	**1,403,416**	**955,765**	**7,805**
Investment expenses				
Interest expenses	2,939	3,322	3,368	27
Losses on sales of securities	16,204	28,000	365	2
Losses on valuation of securities	28,411	1,704	300	2
Losses on redemption of securities	6,126	0	–	–
Losses on derivative financial instruments	34,261	57,491	71,082	580
Foreign exchange losses	–	–	144	1
Depreciation of real estate for non-insurance business	10,077	9,808	9,737	79
Other investment expenses	10,426	11,520	12,982	106
Subtotal	**108,448**	**111,847**	**97,982**	**800**
Operating expenses (Note 21)	**364,907**	**364,701**	**361,559**	**2,952**
Other ordinary expenses	**211,136**	**189,167**	**190,519**	**1,555**
Total ordinary expenses	**4,328,351**	**4,356,535**	**4,213,375**	**34,408**
Ordinary profit	**¥ 400,384**	**¥ 424,882**	**¥ 386,468**	**$ 3,156**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income] (continued)

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
Extraordinary gains				
Gains on disposals of fixed assets	¥ 9,783	¥ 1,408	¥ 5,965	$ 48
Reversal of reserve for contingent liabilities	90	–	12	0
Subtotal	**9,874**	**1,408**	**5,978**	**48**
Extraordinary losses				
Losses on disposals of fixed assets	5,995	7,521	5,582	45
Impairment losses (Note 12)	3,539	5,349	6,344	51
Provision for reserve for contingent liabilities	–	6	–	–
Provision for reserve for price fluctuation	112,944	116,851	11,562	94
Losses on reduction entry of real estate	83	–	2,413	19
Contributions for promotion of social welfare project	552	553	552	4
Other extraordinary losses (Note 13)	189	–	1,678	13
Subtotal	**123,305**	**130,283**	**28,133**	**229**
Surplus before income taxes and minority interests	**286,952**	**296,007**	**364,312**	**2,975**
Income taxes (Note 14)				
Current	85,716	123,988	119,746	977
Deferred	(35,531)	(69,483)	(21,181)	(172)
Total income taxes	**50,185**	**54,505**	**98,564**	**804**
Surplus before minority interests	**236,767**	**241,502**	**265,747**	**2,170**
Minority interests	**57**	**890**	**344**	**2**
Net surplus	**¥ 236,709**	**¥ 240,612**	**¥ 265,402**	**$ 2,167**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Comprehensive Income]

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Surplus before minority interests	**¥ 236,767**	**¥ 241,502**	**¥ 265,747**	**$ 2,170**
Other comprehensive income (loss) (Note 23)	**830,243**	**113,777**	**1,178,038**	**9,620**
Net unrealized gains (losses) on available-for-sale securities	812,217	99,288	1,097,249	8,960
Deferred unrealized gains (losses) on derivatives under hedge accounting	5,340	(2,871)	14,511	118
Land revaluation differences	25	–	5,884	48
Foreign currency translation adjustments	3,259	7,049	5,827	47
Remeasurements of defined benefit plans	–	–	43,135	352
Share of other comprehensive income (loss) of associates accounted for under the equity method	9,400	10,310	11,430	93
Comprehensive income	**¥ 1,067,010**	**¥ 355,279**	**¥ 1,443,786**	**$ 11,790**
Comprehensive income attributable to the Parent Company	1,066,951	354,383	1,443,499	11,788
Comprehensive income (loss) attributable to minority interests	58	895	286	2

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets

Year ended March 31, 2013 — **Millions of Yen**

	Funds, reserve and surplus				
	Foundation funds (Note 19)	Reserve for redemption of foundation funds (Note 19)	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	110,000	410,000	452	255,484	775,936
Changes in the fiscal year					
Issuance of foundation funds	100,000				100,000
Additions to policyholders' dividend reserves (Note 15)				(133,466)	(133,466)
Payment of interest on foundation funds				(1,316)	(1,316)
Net surplus				236,709	236,709
Reversal of land revaluation differences				(12,497)	(12,497)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	100,000	–	–	89,428	189,428
Ending balance	210,000	410,000	452	344,913	965,365

	Accumulated other comprehensive income (loss)						
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	827,866	(1,524)	95,096	(22,393)	899,044	3,674	1,678,655
Changes in the fiscal year							
Issuance of foundation funds							100,000
Additions to policyholders' dividend reserves (Note 15)							(133,466)
Payment of interest on foundation funds							(1,316)
Net surplus							236,709
Reversal of land revaluation differences							(12,497)
Net changes, excluding funds, reserves and surplus	813,189	5,340	12,523	11,685	842,739	(179)	842,560
Net changes in the fiscal year	813,189	5,340	12,523	11,685	842,739	(179)	1,031,989
Ending balance	1,641,055	3,815	107,619	(10,707)	1,741,784	3,495	2,710,645

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2014 — **Millions of Yen**

	Funds, reserve and surplus				
	Foundation funds (Note 19)	Reserve for redemption of foundation funds (Note 19)	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	210,000	410,000	452	344,913	965,365
Changes in the fiscal year					
Issuance of foundation funds	50,000				50,000
Additions to policyholders' dividend reserves (Note 15)				(152,835)	(152,835)
Payment of interest on foundation funds				(2,162)	(2,162)
Net surplus				240,612	240,612
Reversal of land revaluation differences				1,568	1,568
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	50,000	–	–	87,182	137,182
Ending balance	260,000	410,000	452	432,095	1,102,548

	Accumulated other comprehensive income (loss)							
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	1,641,055	3,815	107,619	(10,707)	–	1,741,784	3,495	2,710,645
Changes in the fiscal year								
Issuance of foundation funds								50,000
Additions to policyholders' dividend reserves (Note 15)								(152,835)
Payment of interest on foundation funds								(2,162)
Net surplus								240,612
Reversal of land revaluation differences								1,568
Net changes, excluding funds, reserves and surplus	98,727	(2,871)	(1,568)	17,915	(66,062)	46,141	748	46,889
Net changes in the fiscal year	98,727	(2,871)	(1,568)	17,915	(66,062)	46,141	748	184,072
Ending balance	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,894,717

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2015 — **Millions of Yen**

	Funds, reserve and surplus				
	Foundation funds (Note 19)	Reserve for redemption of foundation funds (Note 19)	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	260,000	410,000	452	432,095	1,102,548
Cumulative effect of change in accounting policies				2,752	2,752
Beginning balance after reflecting accounting policy changes	260,000	410,000	452	434,848	1,105,301
Changes in the fiscal year					
Issuance of foundation funds	60,000				60,000
Additions to policyholders' dividend reserves (Note 15)				(158,094)	(158,094)
Additions to reserve for redemption of foundation funds		60,000			60,000
Payment of interest on foundation funds				(2,572)	(2,572)
Net surplus				265,402	265,402
Redemption of foundation funds	(60,000)				(60,000)
Reversal of reserve for fund redemption				(60,000)	(60,000)
Reversal of land revaluation differences				(7,051)	(7,051)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	–	60,000	–	37,684	97,684
Ending balance	260,000	470,000	452	472,533	1,202,986

	Accumulated other comprehensive income (loss)							
	Net unrealized gains (losses) on available -for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,894,717
Cumulative effect of change in accounting policies								2,752
Beginning balance after reflecting accounting policy changes	1,739,783	944	106,051	7,207	(66,062)	1,787,925	4,243	2,897,470
Changes in the fiscal year								
Issuance of foundation funds								60,000
Additions to policyholders' dividend reserves (Note 15)								(158,094)
Additions to reserve for redemption of foundation funds								60,000
Payment of interest on foundation funds								(2,572)
Net surplus								265,402
Redemption of foundation funds								(60,000)
Reversal of reserve for fund redemption								(60,000)
Reversal of land revaluation differences								(7,051)
Net changes, excluding funds, reserves and surplus	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,185,179
Net changes in the fiscal year	1,098,814	14,511	12,936	15,686	43,199	1,185,148	31	1,282,864
Ending balance	2,838,597	15,456	118,988	22,894	(22,862)	2,973,074	4,274	4,180,335

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2015					Millions of U.S. Dollars
	Funds, reserve and surplus				
	Foundation funds (Note 19)	Reserve for redemption of foundation funds (Note 19)	Reserve for revaluation	Surplus	Total funds, reserve and surplus
Beginning balance	2,123	3,348	3	3,528	9,004
Cumulative effect of change in accounting policies				22	22
Beginning balance after reflecting accounting policy changes	2,123	3,348	3	3,551	9,026
Changes in the fiscal year					
Issuance of foundation funds	489				489
Additions to policyholders' dividend reserves (Note 15)				(1,291)	(1,291)
Additions to reserve for redemption of foundation funds		489			489
Payment of interest on foundation funds				(21)	(21)
Net surplus				2,167	2,167
Redemption of foundation funds	(489)				(489)
Reversal of reserve for fund redemption				(489)	(489)
Reversal of land revaluation differences				(57)	(57)
Net changes, excluding funds, reserves and surplus					
Net changes in the fiscal year	–	489	–	307	797
Ending balance	2,123	3,838	3	3,858	9,824

	Accumulated other comprehensive income (loss)							
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Foreign currency translation adjustment	Remeasurement of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Beginning balance	14,208	7	866	58	(539)	14,601	34	23,639
Cumulative effect of change in accounting policies								22
Beginning balance after reflecting accounting policy changes	14,208	7	866	58	(539)	14,601	34	23,662
Changes in the fiscal year								
Issuance of foundation funds								489
Additions to policyholders' dividend reserves (Note 15)								(1,291)
Additions to reserve for redemption of foundation funds								489
Payment of interest on foundation funds								(21)
Net surplus								2,167
Redemption of foundation funds								(489)
Reversal of reserve for fund redemption								(489)
Reversal of land revaluation differences								(57)
Net changes, excluding funds, reserves and surplus	8,973	118	105	128	352	9,678	0	9,678
Net changes in the fiscal year	8,973	118	105	128	352	9,678	0	10,476
Ending balance	23,181	126	971	186	(186)	24,279	34	34,139

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Cash Flows

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
I Cash flows from operating activities				
Surplus before income taxes and minority interests	¥ 286,952	¥ 296,007	¥ 364,312	$ 2,975
Depreciation of real estate for non-insurance business	10,077	9,808	9,737	79
Depreciation	22,152	21,574	20,913	170
Impairment losses	3,539	5,349	6,344	51
Increase (Decrease) in reserve for outstanding claims	(3,829)	3,803	(5,715)	(46)
Increase (Decrease) in policy reserves	1,342,731	1,399,292	955,329	7,801
Provision for interest on policyholders' dividend reserves	522	490	461	3
Increase (Decrease) in allowance for possible loan losses	(1,136)	(1,394)	(3,101)	(25)
Increase (Decrease) in accrued retirement benefits	14	–	–	–
Increase (Decrease) in net defined benefit liabilities	–	14	20	0
Increase (Decrease) in accrued retirement benefits for directors and executive officers	(151)	(210)	(90)	(0)
Increase (Decrease) in reserve for contingent liabilities	(552)	(2,548)	(12)	(0)
Increase (Decrease) in reserve for price fluctuation	112,944	116,851	11,562	94
Interest, dividends, and other income	(623,353)	(669,740)	(698,484)	(5,704)
Losses (Gains) on securities	(417,378)	(388,386)	(529,202)	(4,321)
Interest expenses	2,939	3,322	3,368	27
Foreign exchange losses (gains)	(40)	(67)	94	0
Losses (Gains) on tangible fixed assets	(3,330)	4,826	2,032	16
Investment losses (gains) on equity method	(265)	(1,617)	(2,005)	(16)
Decrease (Increase) in due from agents	(50)	(16)	(3)	(0)
Decrease (Increase) in reinsurance receivables	(31)	(1,496)	2,227	18
Decrease (Increase) in other assets (excluding those related to investing and financial activities)	(7,595)	5,146	(41,561)	(339)
Increase (Decrease) in due to agents	5	(3)	(8)	(0)
Increase (Decrease) in reinsurance payables	202	1,630	(2,225)	(18)
Increase (Decrease) in other liabilities (excluding those related to investing and financing activities)	111,277	(85,388)	79,426	648
Others, net	818	(6,012)	(3,889)	(31)
Subtotal	**836,464**	**711,238**	**169,530**	**1,384**
Interest, dividends, and other income received	647,767	698,945	740,485	6,047
Interest paid	(2,942)	(3,021)	(3,328)	(27)
Policyholders' dividends paid	(149,773)	(163,872)	(175,209)	(1,430)
Income taxes paid	(49,224)	(104,853)	(150,147)	(1,226)
Net cash provided by operating activities	**¥ 1,282,291**	**¥ 1,138,436**	**¥ 581,329**	**$ 4,747**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Consolidated Statements of Cash Flows (continued)

Years ended March 31	Millions of Yen 2013	2014	2015	Millions of U.S. Dollars 2015
II Cash flows from investing activities				
Net decrease (increase) in deposits	¥ (15,260)	¥ (2,487)	¥ (5,427)	$ (44)
Purchase of monetary claims bought	(17,500)	(29,014)	(21,500)	(175)
Proceeds from sales and redemption of monetary claims bought	22,448	56,546	25,777	210
Purchase of securities	(7,031,196)	(6,065,454)	(3,365,610)	(27,485)
Proceeds from sales and redemption of securities	5,375,840	4,965,821	3,295,992	26,917
Loans extended	(1,500,001)	(1,109,740)	(1,061,804)	(8,671)
Proceeds from collection of loans	1,268,374	1,169,225	1,145,247	9,352
Increase (Decrease) in payables under securities borrowing transactions	575,750	(302,319)	(447,111)	(3,651)
Total investment activities (IIa)	**(1,321,543)**	**(1,317,423)**	**(434,434)**	**(3,547)**
[I + IIa]	**(39,252)**	**(178,987)**	**146,895**	**1,199**
Purchase of tangible fixed assets	(37,862)	(14,703)	(15,281)	(124)
Proceeds from sales of tangible fixed assets	24,845	13,401	11,764	96
Purchase of intangible fixed assets	(18,088)	(14,122)	(18,509)	(151)
Others, net	(1,443)	(1,464)	(1,249)	(10)
Net cash used in investing activities	**(1,354,092)**	**(1,334,313)**	**(457,710)**	**(3,737)**
III Cash flows from financing activities				
Proceeds from issuance of debt	–	–	663	5
Repayments of debt	(11)	(51)	(891)	(7)
Proceeds from issuance of foundation funds	100,000	50,000	60,000	489
Redemption of foundation funds	–	–	(60,000)	(489)
Payment of interest on foundation funds	(1,316)	(2,162)	(2,572)	(21)
Others, net	(237)	(237)	(255)	(2)
Net cash provided by (used in) financing activities	**98,434**	**47,549**	**(3,056)**	**(24)**
IV Effect of foreign exchange rate changes on cash and cash equivalents	**1,503**	**3,229**	**2,196**	**17**
V Net increase (decrease) in cash and cash equivalents	**28,135**	**(145,098)**	**122,759**	**1,002**
VI Cash and cash equivalents at the beginning of the year	**573,247**	**601,382**	**456,284**	**3,726**
VII Cash and cash equivalents at the end of the year (Note 3)	**¥ 601,382**	**¥ 456,284**	**¥ 579,044**	**$ 4,728**

Meiji Yasuda Life Insurance Company and Consolidated Subsidiaries
Notes to the Consolidated Financial Statements

1. Basis of Presentation

MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, "the Company") has prepared the accompanying consolidated financial statements in accordance with the provisions set forth in the Japanese "Insurance Business Act" and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles in the respective countries of domicile. In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at June 30, 2015, which was ¥122.45 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation

a. Consolidated subsidiaries

The numbers of consolidated subsidiaries were 5, 7 and 7 as of March 31, 2013, 2014 and 2015, respectively. The consolidated subsidiaries as of March 31, 2015 include as follows:

Meiji Yasuda General Insurance Co., Ltd. (Japan)
Meiji Yasuda Asset Management Company Ltd. (Japan)
Meiji Yasuda System Technology Company Limited (Japan)
Pacific Guardian Life Insurance Company, Limited (U.S.A.)
Meiji Yasuda Realty USA Incorporated (U.S.A.)

Two subsidiaries of Meiji Yasuda Realty USA Incorporated have been included in consolidation from the year ended March 31, 2014, in response to application of the revised "Accounting Standard for Consolidated Financial Statements" (The Accounting Standards Board of Japan (ASBJ), issued on March 25, 2011), and its related implementation guidance. This did not result in the restatement of prior periods.

The subsidiaries excluded from consolidation include subsidiaries such as Meiji Yasuda Life Planning Center Company, Limited.

The respective and aggregate effects of the companies which are excluded from consolidation, based on total assets, revenues, net income and surplus for the years ended March 31, 2013, 2014 and 2015 are immaterial. This exclusion from consolidation would not prevent a reasonable understanding of the consolidated financial position of the Company and its subsidiaries and the results of their operations.

b. Affiliates

The numbers of affiliates accounted for by the equity method were 11, 12 and 12 as of March 31, 2013, 2014 and 2015, respectively. The affiliates accounted for by the equity method as of March 31, 2015 include as follows:

Founder Meiji Yasuda Life Insurance Co., Ltd. (China)
PT Avrist Assurance (Indonesia)
TU Europa S.A. (Poland)
TUiR Warta S.A. (Poland)
Thai Life Insurance Public Company Limited. (Thailand)

Thai Life Insurance Public Company Limited has been included as an affiliate from the year ended March 31, 2014, corresponding to acquiring its shares.

The subsidiaries not consolidated, e.g., Meiji Yasuda Life Planning Center Company, Limited and others, and certain affiliates are excluded from the scope of the equity method due to their immaterial effect, individually and in aggregate, on the consolidated net income and consolidated surplus.

c. Fiscal year-end of consolidated subsidiaries

The fiscal year-ends of consolidated overseas subsidiaries and affiliates are December 31. The consolidated financial statements include the accounts of such subsidiaries and affiliates as of their fiscal year-ends, with appropriate adjustments made for material transactions occurring between their respective fiscal year-ends and the date of the consolidated financial statements.

d. Valuation of assets and liabilities of consolidated subsidiaries and affiliates

The Company applies the fair value method.

e. Goodwill on consolidation

Goodwill (including goodwill relating to affiliates) is amortized on the straight-line basis over 20 years. However, immaterial amounts of goodwill are fully recognized as expenses as incurred.

f. All the significant intercompany balances and transactions are eliminated in consolidation. In addition, all the material unrealized gains/losses included in assets/liabilities resulting from intercompany transactions are also eliminated.

(2) Cash and cash equivalents

For the purpose of presenting the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, demand deposits and all highly liquid short-term investments with a maturity of three months or less when purchased, which are readily convertible into cash and present insignificant risk of change in value.

(3) Securities

Securities held by the Company are classified and accounted for as follows:

a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

b. Held-to-maturity debt securities are stated at amortized cost using the moving average method and the amortization is calculated using the straight-line method.

c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry," (Japanese Institute of Certified Public Accountants (JICPA), issued on November 16, 2000). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.

d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the "Insurance Business Act" and Article 13-5-2, Paragraph 3 of the "Order for Enforcement of the Insurance Business Act." The affiliates are under Paragraph 4 of the order.

e. Available-for-sale securities
i) Securities of which market value is readily available
Stocks are stated at the average of the market value during the final month of the fiscal year. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

ii) Securities of which market value is extremely difficult to determine
Bonds (including foreign bonds) of which premium or discount are regarded as interest rate adjustment are stated at amortized cost using the moving average method. The amortization is calculated using the straight-line method. Other securities are stated at cost using the moving average method.

iii) Unrealized gains and losses on available-for-sale securities are reported as a component of net assets in the consolidated balance sheets.

(4) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (JICPA, issued on November 16, 2000).

(5) Derivative transactions

Derivative transactions are stated at fair value.

(6) Method of hedge accounting

Methods of hedge accounting are in accordance with the "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008). These methods consist primarily of:
- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable and payable;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation related to foreign currency denominated loans; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

(7) Tangible fixed assets

Tangible fixed assets owned by the Company are depreciated as follows:

a. Buildings
Calculated using the straight-line method.

b. Other tangible fixed assets
Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years

Revaluation of land

The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as permitted by the "Act on Revaluation of Land".

The difference in value before and after revaluation is directly included in net assets in the consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the "Order for Enforcement of the Act on Revaluation of Land") for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

(8) Software

Capitalized software for internal use owned by the Company and subsidiaries (included in intangible fixed assets in the consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

(9) Allowance for possible loan losses

Allowance for possible loan losses of the Company is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, “bankrupt borrowers”) and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, “substantially bankrupt borrowers”), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collaterals and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, “borrowers with high possibility of bankruptcy”), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collaterals and by executing guarantees.

For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company’s actual default experience for a certain period in the past.

All loans are assessed by the department concerned based on the Company’s standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collaterals to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the years ended March 31, 2013, 2014 and 2015 amounted to ¥140 million, ¥59 million and ¥50 million (U.S. $0 million), respectively.

(10) Policy reserves

Policy reserves of the Company are provided pursuant to Article 116 of the “Insurance Business Act”.

Premium reserves, a main component of policy reserves, are calculated according to the following method:

a. For contracts that are subject to the standard policy reserve requirements, the premium reserves are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).

b. For contracts that are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

The policy reserves of the Company include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the "Ordinance for Enforcement of the Insurance Business Act". The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts.

For the year ended March 31, 2015, the Company additionally set aside the policy reserves for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance. As a result, policy reserves increased by ¥192,343 million (U.S. $1,570 million) as of March 31, 2015 and ordinary profit and surplus before income taxes decreased by ¥192,343 million (U.S. $1,570 million) for the year ended March 31, 2015 compared to the cases where the Company did not accumulate the additional reserves.

(11) Net defined benefit liabilities and assets

Net defined benefit liabilities and assets are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

(12) Reserve for price fluctuation

Reserve for price fluctuation of the Company and the domestic insurance subsidiary is calculated pursuant to Article 115 of the "Insurance Business Act".

(13) Revenue recognition

Insurance premiums are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenue. Unearned insurance premiums are recognized as policy reserves.

(14) Policy acquisition costs

Policy acquisition costs are expensed when incurred.

(15) Accounting for consumption taxes

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the "Corporation Tax Act".

(16) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for equity securities issued by unconsolidated subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by unconsolidated subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

(17) New accounting standards

a. From the beginning of the year ended March 31, 2013, tangible fixed assets acquired on or after April 1, 2012 are accounted for using the straight-line method as stipulated by the revised "Corporation Tax Act." The effect of this revision for the year ended March 31, 2013 was immaterial.

b. Revised "Accounting Standard for Consolidated Financial Statements" (ASBJ, issued on March 25, 2011), and its related implementation guidance have been applied from the year ended March 31, 2014. As a result, two subsidiaries of Meiji Yasuda Realty USA Incorporated have been included in consolidation. This change had no effect on Surplus as of the beginning of the year ended March 31, 2014.

c. "Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) have been applied, (except the provisions of Paragraph 35 of the standard and Article 67 of the guidance), at the end of the year ended March 31, 2014.

Actuarial gains and losses, past service costs and the difference between retirement benefit obligations and plan assets that have yet to be recognized in profit or loss, are recognized as net defined benefit liabilities or assets.

As a result, net defined benefit assets of ¥2,461 million and net defined benefit liabilities of ¥814 million were recognized as of March 31, 2014. In addition, deferred tax assets decreased by ¥8 million, deferred tax liabilities decreased by ¥29,102 million, and total accumulated other comprehensive income decreased by ¥66,062 million as of March 31, 2014.

Retrospective application of this accounting standard to the consolidated financial statements in prior fiscal years is not required or permitted.

d. Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) have been applied from the beginning of the year ended March 31, 2015. Accordingly, from the beginning of the year ended March 31, 2015, the Company changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis.

The amount of the effect of the change in the method of calculation of retirement benefit obligations and service costs was included in surplus in the consolidated balance sheet at the beginning of the year ended March 31, 2015 in accordance with the transitional treatment set out in Paragraph 37 of the standard.

As a result, surplus at the beginning of the period increased by ¥2,752 million (U.S. $22 million) and, as well, ordinary profit and surplus before income taxes and minority interests decreased by ¥806 million (U.S. $6 million) for the year ended March 31, 2015.

3. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
As of March 31	2013	2014	2015	2015
Cash and deposits	¥ 232,121	¥ 212,074	¥ 210,945	$ 1,722
Call loans	369,000	244,000	368,000	3,005
Securities	261	210	99	0
Cash and cash equivalents	¥ 601,382	¥ 456,284	¥ 579,044	$ 4,728

4. Financial Instruments

(1) Qualitative information on financial instruments

The Company develops the asset and liability management based on surplus, and it monitors a surplus derived from the difference between the economic values of assets and liabilities as a measure of financial soundness, in order to manage its investment assets (excluding the assets of the separate account prescribed in Article 118, Paragraph 1 of the “Insurance Business Act”).

Based on this risk management, the Company mainly invests in securities and loans. Securities held primarily consist of bonds, stocks, investment trusts and investments in partnership capital. Loans primarily consist of loans to domestic corporate borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk and insurance liability risk.

Methods of hedge accounting are in accordance with the “Accounting Standard for Financial Instruments” (ASBJ, issued on March 10, 2008). These methods consist primarily of:
- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation related to foreign currency denominated loans; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities are exposed to market risk (interest rate fluctuation risk, exchange rate fluctuation risk and price fluctuation risk) and credit risk. Loans are exposed to credit risk and interest rate fluctuation risk. Derivative transactions are exposed to market risk and credit risk.

Loans payable are exposed to interest rate fluctuation risk arising from floating interest rate borrowings.

With regard to the interest rate fluctuation risk management, the Company manages the fluctuation risk on the basis of economic values from a surplus management perspective, by purchasing super long-term bonds to keep asset duration stable and using interest rate swaps for the interest rate risk hedge against insurance liabilities.

To manage the exchange rate fluctuation risk, the Company hedges against exchange rate fluctuation using forward exchange contracts where necessary for appropriate controls of exchange rate fluctuation risk.

To manage the price fluctuation risk, the Company performs integrated management for outstanding balances and the profit and loss situation of securities and derivative transactions and also monitors loss limits to minimize unexpected losses.

In addition to the Value at Risk (VaR) method to measure the maximum expected loss, the Company performs stress tests periodically to simulate conditions that might arise in the event of sharp market fluctuations that exceed normal forecasts.

The profit and loss status and compliance with these procedures are monitored by the investment risk management department, reported regularly (or immediately in urgent cases) to the sub-committee of investment risk management and, on important matters, reported directly to the Board of Directors and Committees.

To manage credit risk, the Company carefully identifies risks in each transaction and limits investments to those that are assessed to be of high quality.

Where credit risk assessment is particularly important regarding corporate loans, the credit risk management department ensures that a rigorous screening system is in place, and monitors borrowers and internal credit rating using corporate screening methods. The Company follows careful discussions by the Investment Committee (Management Committee) to make decisions on highly important deals.

Further, the Company sets exposure limits based on counterparties' creditworthiness to ensure that risk is not concentrated among certain companies or groups, and diversifies investments.

With regard to derivative transactions, the Company limits risk by setting up policies and establishing limits by the type of transaction and by each counterparty. At the same time, a system of internal checks is in place by segregating the departments executing the transactions from the administrative departments to ensure risk management is on an appropriate footing.

The fair value of financial instruments is based on the market price or, in cases where market price is not available, based on prices calculated using reasonable methods in the Company and subsidiaries.

Since certain assumptions are adopted for the price calculations, the prices calculated may differ when different assumptions are used.

(2) Fair values of financial instruments

The amounts of the principal financial assets and liabilities reported in the consolidated balance sheets at the end of the fiscal year, and fair values and the differences between them, were as follows:

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥ 253,299	¥ 253,299	¥ –	¥ 235,740	¥ 235,740	¥ –	¥ 240,038	¥ 240,038	¥ –	$ 1,960	$ 1,960	$ –
Available-for-sale securities (CDs)	22,999	22,999	–	9,999	9,999	–	6,000	6,000	–	48	48	–
Monetary claims bought	240,513	255,908	15,394	233,622	245,033	11,410	229,523	241,833	12,309	1,874	1,974	100
Held-to-maturity debt securities	208,727	224,121	15,394	204,308	215,719	11,410	200,223	212,532	12,309	1,635	1,735	100
Available-for-sale securities	31,786	31,786	–	29,313	29,313	–	29,300	29,300	–	239	239	–
Securities	24,728,733	25,425,103	696,369	26,332,407	26,983,869	651,461	28,377,942	29,665,018	1,287,075	231,751	242,262	10,511
Trading securities	730,472	730,472	–	775,067	775,067	–	808,800	808,800	–	6,605	6,605	–
Held-to-maturity debt securities	5,863,785	6,410,756	546,970	5,594,873	6,057,424	462,550	5,066,536	5,702,545	636,008	41,376	46,570	5,194
Policy-reserve-matching bonds	2,415,504	2,564,903	149,399	5,405,462	5,594,374	188,911	6,820,691	7,471,758	651,066	55,701	61,018	5,317
Available-for-sale securities	15,718,970	15,718,970	–	14,557,003	14,557,003	–	15,681,913	15,681,913	–	128,067	128,067	–
Loans	5,213,965	5,411,353	197,387	5,157,335	5,382,281	224,946	5,076,391	5,357,002	280,610	41,456	43,748	2,291
Policy loans	320,048	320,048	–	307,580	307,580	–	293,365	293,365	–	2,395	2,395	–
Industrial and consumer loans	4,893,916	5,091,304	197,387	4,849,754	5,074,701	224,946	4,783,026	5,063,637	280,610	39,061	41,352	2,291
Allowance for possible loan losses (*1)	(7,153)	–	–	(5,735)	–	–	(3,066)	–	–	(25)	–	–
	5,206,811	5,411,353	204,541	5,151,599	5,382,281	230,682	5,073,325	5,357,002	283,677	41,431	43,748	2,316
Payables under securities borrowing transactions	946,281	946,281	–	640,951	640,951	–	220,000	220,000	–	1,796	1,796	–
Loans payable	100,206	100,206	–	100,200	100,200	–	100,000	100,000	–	816	816	–
Derivative financial instruments (*2)	(93,355)	(93,355)	–	(32,792)	(32,792)	–	(44,171)	(44,171)	–	(360)	(360)	–
Hedge accounting is not applied	2,150	2,150	–	411	411	–	(27)	(27)	–	(0)	(0)	–
Hedge accounting is applied	(95,505)	(95,505)	–	(33,203)	(33,203)	–	(44,143)	(44,143)	–	(360)	(360)	–

(*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.
(*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

a. Method used to determine the fair value of financial instruments

i) Assets

Cash and deposits

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts. Fair value of deposits deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated in the same method shown in "Securities."

Monetary claims bought

Fair value of monetary claims bought deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated using the same method shown in "Securities" and the fair value of these monetary claims bought is stated at theoretical prices calculated by discounting the future cash flows to the present value or at the fair value obtained from counterparties at the balance sheet date.

Subordinated trust beneficiary rights of which future cash flows cannot be estimated are not subject to fair value disclosure and are therefore not included in the table above as of March 31, 2013, because these are regarded as extremely difficult to determine fair value. Their amount reported in the consolidated balance sheets was ¥24,739 million as of March 31, 2013 and none as of March 31, 2014 and 2015.

Securities

As for available-for-sale securities, domestic stocks of which market value is readily available are stated at the average of the market value during the final month of the fiscal year. Other securities are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because these are regarded as extremely difficult to determine fair value. The amounts of the unlisted stocks and others reported in the consolidated balance sheets were ¥883,236 million, ¥868,908 million and ¥878,954 million (U.S. $7,178 million) as of March 31, 2013, 2014 and 2015, respectively. Impairment losses on the unlisted stocks and others were ¥514 million, ¥212 million and ¥254 million (U.S. $2 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest condition.

As for industrial and consumer loans, their fair value of these loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts arrived at by deducting estimated losses from the book value before direct write-off.

ii) Liabilities

Payables under securities borrowing transactions

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts.

Loans payable

The Company and subsidiaries regard book value as fair value with the assumption that fair value approximates book value since loans are made at floating interest rates that reflect market interest rates timely, and since the Company's credit standing has not changed significantly after borrowing.

iii) Derivative financial instruments

Listed transactions

The fair value of listed transactions, such as stock index futures and bond futures, is stated at the closing or settlement prices at the balance sheet date.

OTC transactions

The fair value of Over-the-Counter (OTC) transactions, such as foreign exchange contracts, is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, or fair value obtained from counterparties at the balance sheet date.

Since OTC transactions of currency swaps contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans, their fair value is included in the fair value of hedged loans in the table above.

Interest rate swap transactions

The fair value of interest rate swap transactions is stated at theoretical prices calculated by discounting the net future cash flows to the present value, or fair value obtained from counterparties at the balance sheet date.

Since interest rate swaps subject to the special hedge accounting are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

b. Securities by holding purpose

Trading securities

The unrealized valuation gains (losses) on trading securities included in profits (losses) for the fiscal year amounted to ¥74,870 million, ¥(2,520) million and ¥25,474 million (U.S. $208 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

Held-to-maturity debt securities

The amounts reported in the consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the fiscal year, and the differences between them, were shown in the following table. No held-to-maturity debt securities were sold during the years ended March 31, 2013, 2014 and 2015, respectively.

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount												
1) National & local government bonds	¥ 5,090,291	¥ 5,585,184	¥494,893	¥4,735,974	¥5,155,465	¥419,490	¥ 4,221,779	¥4,792,775	¥570,996	$34,477	$39,140	$4,663
2) Corporate bonds	627,597	676,462	48,864	692,053	733,909	41,856	702,235	762,947	60,711	5,734	6,230	495
3) Other	328,749	347,608	18,859	296,098	310,043	13,945	288,025	305,450	17,425	2,352	2,494	142
Total	6,046,638	6,609,255	562,617	5,724,127	6,199,418	475,291	5,212,040	5,861,173	649,132	42,564	47,865	5,301
Securities whose fair value does not exceed the balance sheet amount												
1) National & local government bonds	3,026	3,005	(21)	3,025	2,997	(27)	1,864	1,848	(16)	15	15	(0)
2) Corporate bonds	2,001	1,988	(13)	8,200	8,196	(3)	12,952	12,836	(116)	105	104	(0)
3) Other	20,846	20,628	(217)	63,829	62,530	(1,299)	39,901	39,219	(682)	325	320	(5)
Total	25,874	25,622	(252)	75,055	73,724	(1,330)	54,718	53,904	(814)	446	440	(6)

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.

Policy-reserve-matching bonds

The carrying amounts in the consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following table, along with their fair values and the differences between these amounts. Sales of policy-reserve-matching bonds were ¥37,591 million to keep target of duration matching and total gains on sales were ¥1,235 million and no loss for the year ended March 31, 2013. No policy-reserve-matching bonds were sold during the years ended March 31, 2014 and 2015.

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount												
1) National & local government bonds	¥2,404,308	¥ 2,552,661	¥148,353	¥5,037,684	¥ 5,228,611	¥190,926	¥6,809,524	¥7,459,007	¥649,482	$55,610	$60,914	$5,304
2) Corporate bonds	11,196	12,241	1,045	11,181	11,833	651	11,167	12,751	1,584	91	104	12
3) Other	–	–	–	–	–	–	–	–	–	–	–	–
Total	2,415,504	2,564,903	149,399	5,048,866	5,240,445	191,578	6,820,691	7,471,758	651,066	55,701	61,018	5,317
Securities whose fair value does not exceed the balance sheet amount												
1) National & local government bonds	–	–	–	356,596	353,929	(2,667)	–	–	–	–	–	–
2) Corporate bonds	–	–	–	–	–	–	–	–	–	–	–	–
3) Other	–	–	–	–	–	–	–	–	–	–	–	–
Total	–	–	–	356,596	353,929	(2,667)	–	–	–	–	–	–

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥2,709,975 million, ¥3,239,043 million and ¥1,477,320 million (U.S. $12,064 million) resulting in total gains on sales of ¥150,232 million, ¥220,576 million and ¥186,293 million (U.S. $1,521 million) and total losses of ¥16,204 million, ¥31,822 million and ¥365 million (U.S. $2 million) for the years ended March 31, 2013, 2014 and 2015, respectively. With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs												
(1) Domestic stocks	¥1,453,634	¥2,617,297	¥1,163,663	¥1,470,391	¥2,953,946	¥1,483,555	¥1,568,781	¥3,993,134	¥2,424,352	$12,811	$32,610	$19,798
(2) Bonds	7,486,814	8,241,416	754,601	5,588,263	6,046,327	458,063	4,423,060	4,817,078	394,017	36,121	39,339	3,217
1) National & local government bonds	6,590,704	7,288,113	697,408	4,616,738	5,023,132	406,393	3,457,542	3,787,413	329,870	28,236	30,930	2,693
2) Corporate bonds	896,110	953,303	57,193	971,525	1,023,194	51,669	965,518	1,029,665	64,147	7,885	8,408	523
(3) Other	3,064,422	3,574,721	510,298	3,019,273	3,661,599	642,325	4,767,088	5,948,790	1,181,701	38,930	48,581	9,650
Total	12,004,871	14,433,435	2,428,564	10,077,929	12,661,873	2,583,943	10,758,931	14,759,003	4,000,072	87,863	120,530	32,666
Securities whose balance sheet amount does not exceed the acquisition or amortized costs												
(1) Domestic stocks	207,786	177,505	(30,280)	272,696	250,928	(21,768)	84,775	77,658	(7,117)	692	634	(58)
(2) Bonds	233,977	231,158	(2,818)	85,079	84,260	(819)	61,680	60,933	(746)	503	497	(6)
1) National & local government bonds	199,442	199,432	(10)	41,615	41,476	(138)	31,904	31,676	(227)	260	258	(1)
2) Corporate bonds	34,535	31,726	(2,808)	43,464	42,783	(681)	29,775	29,256	(518)	243	238	(4)
(3) Other	958,539	931,656	(26,883)	1,650,121	1,599,255	(50,865)	829,206	819,808	(9,397)	6,771	6,695	(76)
Total	1,400,303	1,340,320	(59,982)	2,007,897	1,934,444	(73,452)	975,661	958,399	(17,261)	7,967	7,826	(140)

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

"Acquisition or amortized costs" in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is readily available amounted to ¥27,897 million, ¥1,491 million and ¥46 million (U.S. $0 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31	Millions of Yen					
	2013					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥252,723	¥ –	¥ –	¥ –	¥ –	¥ –
Monetary claims bought	–	2,003	–	–	–	238,510
Loans*	489,471	1,012,449	908,754	644,744	693,256	1,142,905
Securities						
Held-to-maturity debt securities	387,204	906,939	203,848	328,166	551,411	3,485,456
Policy-reserve-matching bonds	–	–	–	–	109,625	2,305,879
Available-for-sale securities with maturities	261,176	390,405	692,282	1,088,919	2,144,228	8,184,171
Total	1,390,575	2,311,798	1,804,885	2,061,830	3,498,521	15,356,923

As of March 31	Millions of Yen					
	2014					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥235,424	¥ –	¥ –	¥ –	¥ –	¥ –
Monetary claims bought	–	–	–	–	–	233,622
Loans*	524,694	1,027,572	848,193	495,692	726,966	1,224,957
Securities						
Held-to-maturity debt securities	563,264	418,846	294,313	354,992	582,231	3,380,317
Policy-reserve-matching bonds	–	–	–	39,254	254,229	5,111,978
Available-for-sale securities with maturities	337,318	411,400	1,088,151	1,239,726	2,496,794	5,547,443
Total	1,660,701	1,857,819	2,230,658	2,129,666	4,060,223	15,498,319

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2015						2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥239,805	¥ –	¥ –	¥ –	¥ –	¥ –	$1,958	$ –	$ –	$ –	$ –	$ –
Monetary claims bought	–	–	–	–	–	229,523	–	–	–	–	–	1,874
Loans*	516,245	975,185	759,328	482,999	718,850	1,329,301	4,215	7,963	6,201	3,944	5,870	10,855
Securities												
Held-to-maturity debt securities	341,727	201,812	336,574	374,435	591,132	3,219,663	2,790	1,648	2,748	3,057	4,827	26,293
Policy-reserve-matching bonds	–	–	10,397	101,336	196,296	6,512,661	–	–	84	827	1,603	53,186
Available-for-sale securities with maturities	144,144	695,854	1,474,531	2,660,504	1,851,302	4,389,059	1,177	5,682	12,041	21,727	15,118	35,843
Total	1,241,923	1,872,851	2,580,831	3,619,276	3,357,581	15,680,208	10,142	15,294	21,076	29,557	27,420	128,053

(*) Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥307 million, ¥285 million and ¥231 million (U.S. $1 million) as of March 31, 2013, 2014 and 2015, respectively.
(*) Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payables under securities borrowing transactions and loans payable

As of March 31	Millions of Yen					
	2013					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥ 946,281	¥ –	¥ –	¥ –	¥ –	¥ –
Loans payable	206	–	–	–	100,000	–
Total	946,487	–	–	–	100,000	–

As of March 31	Millions of Yen					
	2014					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥ 640,951	¥ –	¥ –	¥ –	¥ –	¥ –
Loans payable	200	–	–	–	100,000	–
Total	641,151	–	–	–	100,000	–

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2015						2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥220,000	¥ –	¥ –	¥ –	¥ –	¥ –	$1,796	$ –	$ –	$ –	$ –	$ –
Loans payable	–	–	–	100,000	–	–	–	–	–	816	–	–
Total	220,000	–	–	100,000	–	–	1,796	–	–	816	–	–

e. Fair values of derivative transactions

Hedge accounting not applied
i) Interest-rate related

As of March 31	Millions of Yen			
	2013			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps Receipts fixed, payments floating	¥49,100	¥49,100	¥2,111	¥2,111
Total				2,111

As of March 31	Millions of Yen			
	2014			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps Receipts fixed, payments floating	¥47,600	¥47,600	¥ 366	¥ 366
Total				366

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps Receipts fixed, payments floating	¥1,000	¥1,000	¥10	¥10	$ 8	$ 8	$ 0	$ 0
Total				10				0

(*) Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31	Millions of Yen			
	2013			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts				
Sold	¥ 5,950	¥ –	¥ 23	¥ 23
(U.S. dollar)	1,076	–	8	8
(Euro)	3,086	–	13	13
(Australian dollar)	266	–	1	1
(Canadian dollar)	1,007	–	0	0
(Others)	514	–	(0)	(0)
Bought	8,654	–	(19)	(19)
(U.S. dollar)	2,449	–	(6)	(6)
(Euro)	4,409	–	(13)	(13)
(Canadian dollar)	1,064	–	(0)	(0)
(Australian dollar)	65	–	(0)	(0)
(Others)	664	–	0	0
Total				4

As of March 31	Millions of Yen			
	2014			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts				
Sold	¥ 888	¥ –	¥ (3)	¥ (3)
(U.S. dollar)	277	–	(1)	(1)
(Euro)	242	–	(0)	(0)
(Australian dollar)	319	–	(1)	(1)
(Canadian dollar)	4	–	(0)	(0)
(Others)	44	–	(0)	(0)
Bought	1,165	–	6	6
(U.S. dollar)	643	–	3	3
(Euro)	490	–	2	2
(Canadian dollar)	–	–	–	–
(Australian dollar)	–	–	–	–
(Others)	32	–	0	0
Total				2

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts								
Sold	¥ 11,566	¥ –	¥ (46)	¥ (46)	$ 94	$ –	$ (0)	$ (0)
(U.S. dollar)	8,654	–	(53)	(53)	70	–	(0)	(0)
(Euro)	977	–	7	7	7	–	0	0
(Australian dollar)	888	–	3	3	7	–	0	0
(Canadian dollar)	672	–	(1)	(1)	5	–	(0)	(0)
(Others)	373	–	(1)	(1)	3	–	(0)	(0)
Bought	11,641	–	30	30	95	–	0	0
(U.S. dollar)	8,933	–	44	44	72	–	0	0
(Euro)	1,428	–	(13)	(13)	11	–	(0)	(0)
(Canadian dollar)	567	–	1	1	4	–	0	0
(Australian dollar)	490	–	(2)	(2)	4	–	(0)	(0)
(Others)	220	–	0	0	1	–	0	0
Total				(16)				(0)

(*) Net gains (losses) represent the fair values.

iii) Stock-related

As of March 31	Millions of Yen			
	2013			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions				
Yen Stock index futures				
Bought	¥ 733	¥ –	¥ 34	¥ 34
Foreign currency-denominated stock index futures				
Bought	546	–	(0)	(0)
Total				34

As of March 31	Millions of Yen			
	2014			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions				
Yen Stock index futures				
Bought	¥ 6,194	¥ –	¥ 24	¥ 24
Foreign currency-denominated stock index futures				
Bought	687	–	16	16
Total				41

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions								
Yen Stock index futures								
Bought	¥ 1,059	¥ –	¥ (25)	¥ (25)	$ 8	$ –	$ (0)	$ (0)
Foreign currency-denominated stock index futures								
Bought	1,681	–	3	3	13	–	0	0
Total				(21)				(0)

(*) Net gains (losses) represent the fair values.

iv) Bond-related

No ending balance as of March 31, 2013, 2014 and 2015.

Hedge accounting applied

i) Interest-rate related

As of March 31	Millions of Yen			
	2013			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥138,800	¥138,800	¥ 12,272
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	50,861	45,671	2,322
Total				14,595

As of March 31	Millions of Yen			
	2014			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥186,800	¥186,800	¥10,358
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	47,695	45,020	1,740
Total				12,099

As of March 31	Millions of Yen				Millions of U.S. Dollars		
	2015				2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating . . .	Insurance liabilities	¥234,100	¥234,100	¥31,576	$1,911	$1,911	$257
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating . . .	Loans	46,251	31,141	1,237	377	254	10
Total				32,813			267

ii) Currency-related

As of March 31	Millions of Yen			
	2013			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency-	¥ 1,651,256	¥ –	¥(107,936)
(U.S. dollar)	denominated bonds	1,508,739	–	(101,766)
(Euro)		–	–	–
(Australian dollar)		142,516	–	(6,169)
Deferred hedge accounting				
Cross currency swaps				
Receipts floating, payments fixed . .	Foreign-currency-			
(Euro)	denominated bonds	9,208	9,208	158
Total				(107,777)

As of March 31	Millions of Yen			
	2014			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency-	¥ 2,031,158	¥ –	¥(40,632)
(U.S. dollar)	denominated bonds	1,690,459	–	(33,578)
(Euro)		201,159	–	(1,789)
(Australian dollar)		139,540	–	(5,264)
Deferred hedge accounting				
Cross currency swaps				
Receipts floating, payments fixed . . .	Foreign-currency-			
(Euro)	denominated bonds	26,958	26,958	(2,929)
Total				(43,562)

As of March 31		Millions of Yen			Millions of U.S. Dollars		
		2015			2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting							
Foreign currency forward contracts							
Sold	Foreign-currency-denominated bonds	¥ 2,354,756	¥ –	¥ (70,919)	$ 19,230	$ –	$ (579)
(U.S. dollar)		2,010,069	–	(89,973)	16,415	–	(734)
(Euro)		196,339	–	10,404	1,603	–	84
(Australian dollar)		148,347	–	8,649	1,211	–	70
Deferred hedge accounting							
Cross currency swaps							
Receipts floating, payments fixed (Euro)	Foreign-currency-denominated bonds	35,575	35,575	(4,800)	290	290	(39)
Total				(75,719)			(618)

(*) The table does not include foreign currency derivative transactions regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen.

iii) Stock-related

No ending balance as of March 31, 2013, 2014 and 2015.

iv) Bond-related

No ending balance as of March 31, 2013, 2014 and 2015.

5. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,678,741 million, ¥1,700,669 million and ¥1,623,208 million (U.S. $13,256 million) as of March 31, 2013, 2014 and 2015, respectively.

6. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥4,319 million, ¥3,651 million and ¥4,586 million (U.S. $37 million) as of March 31, 2013, 2014 and 2015, respectively.

7. Equity Securities issued by Unconsolidated Subsidiaries and Affiliates

The total amounts of equity securities issued by unconsolidated subsidiaries and affiliates were ¥64,479 million, ¥174,780 million and ¥188,734 million (U.S. $1,541 million) as of March 31, 2013, 2014 and 2015, respectively.

8. Loans

The aggregate amounts of risk-monitored loans, which comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥21,958 million, ¥21,136 million and ¥19,825 million (U.S. $161 million) as of March 31, 2013, 2014 and 2015, respectively.

The aggregate amounts of loans to bankrupt borrowers were ¥1 million and ¥0 million as of March 31, 2013 and 2014, respectively. There were no loans to bankrupt borrowers, and none as of March 31, 2015. The aggregate amounts of loans in arrears were ¥3,043 million, ¥2,972 million and ¥2,630 million (U.S. $21 million) as of March 31, 2013, 2014 and 2015, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the consolidated balance sheets as of March 31, 2013, 2014 and 2015 were ¥123 million, ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥16 million, ¥14 million and ¥5 million (U.S. $0 million), respectively, for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquent principal or interest for a certain period or for other reasons (hereafter, “non-accrual loans”) and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the “Order for Enforcement of the Corporation Tax Act” (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

There were no loans in arrears for three months or longer as of March 31, 2013, 2014 and 2015.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥18,914 million, ¥18,163 million and ¥17,195 million (U.S. $140 million) as of March 31, 2013, 2014 and 2015, respectively.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

9. Loan Commitments

The amounts of loan commitments outstanding were ¥28,141 million, ¥23,939 million and ¥24,386 million (U.S. $199 million) as of March 31, 2013, 2014 and 2015, respectively.

10. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥605,556 million, ¥591,751 million and ¥592,183 million (U.S. $4,836 million), and their fair values were ¥626,086 million, ¥629,309 million and ¥647,046 million (U.S. $5,284 million) as of March 31, 2013, 2014 and 2015, respectively. The Company and certain subsidiaries own office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers.

11. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥405,012 million, ¥405,205 million and ¥407,166 million (U.S. $3,325 million) as of March 31, 2013, 2014 and 2015, respectively.

12. Impairment of Fixed Assets

The details of the impairment losses on fixed assets of the Company are as follows:

(1) Method for grouping the assets
The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.
For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized
For the years ended March 31, 2013, 2014 and 2015, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value due to downturn of the real estate market. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the consolidated statements of income.

(3) Details of fixed assets resulting in impairment losses

For the year ended March 31, 2013

	Number of properties impaired	Millions of Yen		
Asset group		Land	Buildings	Total
Real estate for non-insurance business	5	¥ 592	¥ 551	¥ 1,144
Idle assets	30	1,012	1,283	2,295
Total	35	¥ 1,605	¥ 1,835	¥ 3,440

For the year ended March 31, 2014

	Number of properties impaired	Millions of Yen		
Asset group		Land	Buildings	Total
Real estate for non-insurance business	2	¥ 432	¥ 2,057	¥ 2,489
Idle assets	32	1,192	1,616	2,809
Total	34	¥ 1,624	¥ 3,674	¥ 5,299

For the year ended March 31, 2015

	Number of properties impaired	Millions of Yen		
Asset group		Land	Buildings	Total
Real estate for non-insurance business	2	¥ 206	¥ 3	¥ 210
Idle assets	62	2,531	3,554	6,085
Total	64	¥ 2,737	¥ 3,558	¥ 6,296

For the year ended March 31, 2015

	Millions of U.S. Dollars		
Asset group	Land	Buildings	Total
Real estate for non-insurance business	$ 1	$ 0	$ 1
Idle assets	20	29	49
Total	$22	$29	$ 51

(4) Calculation method of recoverable amounts
The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.25%, 2.16% and 2.09% for the years ended March 31, 2013, 2014 and 2015, respectively. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

13. Retirement Benefit Plans

The following items provide detailed information for the retirement benefit plans.

(1) Summary of the retirement benefit plans
The Company has defined benefit corporate pension plans and retirement allowance plans, which distribute a lump sum payment on retirement, as defined benefit plans. The Company also has defined contribution pension plans as defined contribution plans.

As for accrued retirement benefits of certain consolidated subsidiaries, the simplified method is applied.

(2) Transfer to defined contribution plans
The Company transferred a certain portion of defined benefit corporate pension plans to defined contribution pension plans on July 1, 2014. As a result, other extraordinary losses of ¥1,669 million (U.S. $13 million) were recognized for the year ended March 31, 2015.

(3) Defined benefit plans
a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	2014	2015
Method of attributing benefit to period of service	Straight-line basis	Benefit formula basis
Amortization period for actuarial differences	10 years	10 years
Amortization period for past service cost	10 years	10 years

b. Changes in the retirement benefit obligations for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	**2014**	**2015**	**2015**
Balance at the beginning of the fiscal year	¥ 371,957	¥356,916	$2,914
Service costs	12,192	11,448	93
Interest cost on retirement benefit obligations	3,432	3,083	25
Actuarial losses (gains) recognized	4,299	4,320	35
Benefits paid	(31,320)	(27,501)	(224)
Past service costs incurred	69	(4,139)	(33)
Others	260	(27,018)	(220)
Balance at the end of the fiscal year	360,890	317,110	2,589

c. Changes in the plan assets for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	**2014**	**2015**	**2015**
Balance at the beginning of the fiscal year	¥347,253	¥362,538	$2,960
Expected return on plan assets	3,525	3,391	27
Actuarial gains (losses) recognized	9,585	49,182	401
Contributions by employer	13,471	10,194	83
Benefits paid	(11,683)	(10,732)	(87)
Others	384	(24,201)	(197)
Balance at the end of the fiscal year	362,538	390,372	3,188

d. The amount of the retirement benefit obligations and the plan assets, and the amount of the defined benefit liabilities and the defined benefit assets recognized in the consolidated balance sheets as of March 31, 2014 and 2015 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	**2014**	**2015**	**2015**
Present value of funded retirement benefit obligations	¥ 358,918	¥ 315,093	$ 2,573
Plan assets at fair value	(362,538)	(390,372)	(3,188)
Net present value of funded retirement benefit obligations	(3,619)	(75,278)	(614)
Present value of non-funded retirement benefit obligations	1,972	2,017	16
Net balance on the consolidated balance sheet	(1,647)	(73,261)	(598)
Consists of:			
Defined benefit liabilities	814	1,084	8
Defined benefit assets	(2,461)	(74,345)	(607)

e. The amounts recognized in retirement benefit expenses in the consolidated statements of income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	**2014**	**2015**	**2015**
Service costs	¥12,192	¥11,448	$ 93
Interest cost on retirement benefit obligations	3,432	3,083	25
Expected return on plan assets	(3,525)	(3,391)	(27)
Amortization of net actuarial losses (gains)	12,776	10,864	88
Amortization of net past service costs	(1,292)	(776)	(6)
Others	19	1,683	13
Retirement benefit expenses	23,601	22,913	187

f. Major components of other comprehensive income and total accumulated other comprehensive income

Major components of other comprehensive income (before income tax effect adjustments) for the year ended March 31, 2015 were as follows:

	Millions of Yen	Millions of U.S. Dollars
Years ended March 31	**2015**	**2015**
Actuarial gains (losses)	¥ 60,559	$494
Past service costs	2,927	23
Total	63,486	518

Major components of total accumulated other comprehensive income (before income tax effect adjustments) for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	**2014**	**2015**	**2015**
Unrecognized actuarial gains (losses)	¥ (98,215)	¥(37,713)	$(307)
Unrecognized past service costs	3,072	5,989	48
Total	(95,143)	(31,723)	(259)

g. Plan assets

Plan assets as of March 31, 2014 and 2015 were comprised as follows:

	% of total fair value of plan assets	
As of March 31	**2014**	**2015**
Debt securities	7.4%	8.3%
Stocks	40.3%	47.3%
General account of life insurance companies	30.1%	25.1%
Jointly invested assets	19.4%	17.0%
Cash and deposits	1.9%	1.1%
Others	1.1%	1.2%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 49.5% and 57.1% of total plan assets as of March 31, 2014 and 2015, respectively.

h. The expected long-term rate of return on plan assets
The expected long-term rate of return on plan assets is calculated by aggregating the weighted rate of return derived from each asset category. The expected long-term rate of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

i. Assumptions used in calculation
Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	2014	2015
Discount rate	0.9%	0.9%
Expected long-term rate of return on plan assets		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%

(4) Defined contribution plans
The amount recognized as expenses for the defined contribution pension plans was ¥900 million (U.S. $7 million) for the year ended March 31, 2015.

Accrued retirement benefits

The following tables set forth the status of accrued retirement benefits for the defined benefit plans as of March 31, 2013:

(1) Retirement benefit obligations

	Millions of Yen
As of March 31	2013
a. Retirement benefit obligations	¥(371,957)
b. Plan assets at fair value	347,253
[including retirement benefit trusts]	[174,559]
c. Net retirement benefit obligations (a+b)	(24,703)
d. Unrecognized actuarial losses	116,245
e. Unrecognized past service costs	(4,434)
f. Net value in the consolidated balance sheet (c+d+e)	87,106
g. Prepaid pension cost	87,864
h. Accrued retirement benefits (f-g)	¥(757)

(2) Assumptions used in calculation

Assumptions of the Company used in accounting for the defined benefit plans for the year ended March 31, 2013 were as follows:

Year ended March 31	2013
Method of attributing benefit to period of service	Straight-line basis
Discount rate	0.9%
Expected long-term rate of return on plan assets:	
Defined benefit corporate pension plans	
From 4/1/2012 to 6/30/2012	3.0%
From 7/1/2012 to 3/31/2013	2.0%
Retirement benefit trusts	0.0%
Amortization period for actuarial differences (Commencing in the following fiscal year after they are incurred)	10 years
Amortization period for past service cost	10 years

(3) Retirement benefit expenses

Retirement benefit expenses for the year ended March 31, 2013 were comprised of the following:

	Millions of Yen
Year ended March 31	2013
a. Service costs	¥11,009
b. Interest cost on retirement benefit obligations	6,974
c. Expected return on plan assets	(3,795)
d. Amortization of actuarial losses	5,297
e. Amortization of past service costs	(2,868)
f. Others	3
g. Retirement benefit expenses (a+b+c+d+e+f)	¥16,621

14. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen			Millions of U.S. Dollars
As of March 31	2013	2014	2015	2015
Deferred tax assets	¥563,231	¥657,521	¥650,205	$5,309
Valuation allowance for deferred tax assets	(7,098)	(6,524)	(6,417)	(52)
Subtotal	556,132	650,996	643,787	5,257
Deferred tax liabilities	(731,194)	(771,087)	(1,146,543)	(9,363)
Net deferred tax assets (liabilities)	(175,061)	(120,090)	(502,755)	(4,105)

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
As of March 31	**2013**	**2014**	**2015**	**2015**
Deferred tax assets				
Policy reserves and other reserves	¥ 356,501	¥ 394,696	¥ 424,852	$3,469
Reserve for price fluctuation	111,743	147,792	141,866	1,158
Deferred tax liabilities:				
Net unrealized gains on available-for-sale securities	694,718	736,091	1,106,381	9,035

(2) The statutory tax rates were 33.28%, 33.28% and 30.73% for the years ended March 31, 2013, 2014 and 2015, respectively. Main factors in the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

Years ended March 31	2013	2014	2015
Policyholders' dividend reserves	(17.45)%	(17.77)%	(15.19)%
Effects of changes in the income tax rate	–	–	11.81%

(3) From the end of the year ended March 31, 2014, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities recoverable during the period within one year were changed from 33.28% to 30.73% due to the termination of the special reconstruction corporate tax in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 10 in 2014).

Due to this change, as of March 31, 2014, both deferred tax liabilities of the Company in the consolidated balance sheet and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥1,983 million.

(4) From the end of the year ended March 31, 2015, the statutory tax rates of the Company which are used to measure deferred tax assets and liabilities were changed from 30.73% to 28.80% in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 9 in 2015).

Due to this change, as of March 31, 2015, deferred tax liabilities of the Company in the consolidated balance sheet decreased by ¥34,385 million (U.S. $280 million), deferred tax liabilities for land revaluation in the consolidated balance sheet decreased by ¥5,754 million (U.S. $46 million), and deferred portion of income taxes of the Company in the consolidated statement of income increased by ¥43,023 million (U.S. $351 million).

15. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Balance at the beginning of the fiscal year	¥ 296,253	¥ 280,524	¥ 270,023	$2,205
Transfer from surplus in the previous fiscal year	133,466	152,835	158,094	1,291
Dividend payments to policyholders during the fiscal year	(149,773)	(163,872)	(175,209)	(1,430)
Interest accrued during the fiscal year	578	535	506	4
Balance at the end of the fiscal year	¥ 280,524	¥ 270,023	¥ 253,414	$2,069

16. Subordinated Debt

As of March 31, 2013, 2014 and 2015, other liabilities included subordinated debts of ¥100,000 million, ¥100,000 million and ¥100,000 million (U.S. $816 million), respectively, and the repayments of which are subordinated to other obligations.

17. Accrued Retirement Benefits for Directors and Executive Officers

Accrued retirement benefits for directors and executive officers of the Company are provided based on a portion accrued for the period of the estimated payable amount.

In 2008, the Compensation Committee of the Company decided to terminate the retirement allowance scheme for directors and executive officers of the Company effective June 30, 2008. No provisions have been made for incumbent directors and executive officers since that date.

18. Reserve for Contingent Liabilities

Reserve for contingent liabilities of the Company is provided for the amount of estimated possible losses in the future with respect to the securitizations of loans and loan commitments outstanding pursuant to Article 24-4 of the "Ordinance for Enforcement of the Insurance Business Act".

19. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed foundation funds and also established for reserve for redemption of foundation funds pursuant to Article 56 of the "Insurance Business Act" in the amount of ¥60,000 million (U.S. $489 million) as of March 31, 2015.

The Company offered foundation funds in the amount of ¥100,000 million, ¥50,000 million and ¥60,000 million (U.S. $489 million) pursuant to Article 60 of the "Insurance Business Act" in the years ended March 31, 2013, 2014 and 2015, respectively.

20. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥771,030 million, ¥822,310 million and ¥864,990 million (U.S. $7,064 million) as of March 31, 2013, 2014 and 2015, respectively. The amounts of separate account liabilities were the same as these figures.

21. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥51,417 million, ¥51,981 million and ¥52,814 million (U.S. $431 million) as of March 31, 2013, 2014 and 2015, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

22. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

23. Other Comprehensive Income

The components of other comprehensive income (reclassification adjustments and income tax effects relating to other comprehensive income) for the years ended March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Net unrealized gains on available-for-sale securities:				
Amount arising during the fiscal year	¥ 1,280,185	¥ 323,272	¥ 1,657,722	$ 13,537
Reclassification adjustments	(106,082)	(180,064)	(184,502)	(1,506)
Before income tax effect adjustments	1,174,102	143,208	1,473,219	12,031
Income tax effects	(361,884)	(43,919)	(375,970)	(3,070)
Net unrealized gains on available-for-sale securities	812,217	99,288	1,097,249	8,960
Deferred unrealized gains (losses) on derivatives under hedge accounting:				
Amount arising during the fiscal year	¥9,588	¥(1,767)	¥22,901	$187
Reclassification adjustments	(2,141)	(2,640)	(2,961)	(24)
Before income tax effect adjustments	7,446	(4,407)	19,939	162
Income tax effects	(2,106)	1,536	(5,428)	(44)
Deferred unrealized gains (losses) on derivatives under hedge accounting	5,340	(2,871)	14,511	118
Land revaluation differences:				
Amount arising during the fiscal year	¥ –	¥ –	¥ –	$ –
Reclassification adjustments	–	–	–	–
Before income tax effect adjustments	–	–	–	–
Income tax effects	25	–	5,884	48
Land revaluation differences	25	–	5,884	48
Foreign currency translation adjustments:				
Amount arising during the fiscal year	¥3,259	¥7,049	¥5,827	$47
Reclassification adjustments	–	–	–	–
Before income tax effect adjustments	3,259	7,049	5,827	47
Income tax effects	–	–	–	–
Foreign currency translation adjustments	3,259	7,049	5,827	47
Remeasurements of defined benefit plans:				
Amount arising during the fiscal year	¥ –	¥ –	¥44,064	$359
Reclassification adjustments	–	–	19,355	158
Before income tax effect adjustments	–	–	63,419	517
Income tax effects	–	–	(20,284)	(165)
Remeasurements of defined benefit plans	–	–	43,135	352
Share of other comprehensive income of affiliates accounted for by the equity method:				
Amount arising during the year	¥9,400	¥10,788	¥11,443	$93
Reclassification adjustments	–	(477)	(13)	(0)
Share of other comprehensive income of affiliates accounted for by the equity method	9,400	10,310	11,430	93
Total other comprehensive income	¥830,243	¥113,777	¥1,178,038	$9,620

24. Subsequent Events

Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2015 were approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2015.

Share acquisition

The Company entered into a definitive agreement to acquire 100% of the outstanding shares of StanCorp Financial Group, Inc. (“StanCorp”) on July 23 (July 24, Japan local time), 2015.

(1) Purpose of share acquisition
The Company aims to further improve value for policyholders by enhancing profits and diversifying the business portfolio (dispersing business risk) of the entire group through expanding the scale and increasing the level of profits of overseas insurance business.

(2) Overview of the acquired company
a. Company name
StanCorp Financial Group, Inc.

b. Location
Portland, Oregon, USA

c. Business
Insurance and insurance related business (*1)
(*1) StanCorp is a holding company and its subsidiaries operate insurance business, etc.

d. Premiums (consolidated basis, for the fiscal year ended December 2014)
U.S. $2,052 million

e. Total assets (consolidated basis, as of the end of December 2014)
U.S. $22,711 million

(3) Overview of the acquisition
The Company intends to acquire the shares by January to March 2016. The acquiring price is expected to be approximately U.S. $4,997 million (approximately ¥624.6 billion)
(*2) and it will be funded through cash and cash equivalents in hand. Under and in accordance with applicable laws and regulations in the U.S., the acquisition will be implemented by first establishing a special purpose company of the Company in Delaware, and then merging it with and into StanCorp. The acquisition is subject to approval of StanCorp’s shareholders and approval of relevant regulatory authorities, as well as other customary closing conditions.
(*2) The exchange rate used to calculate the yen-dominated amount is U.S. $1 to ¥125.00.

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Independent Auditor's Report

To the Board of Directors of Meiji Yasuda Life Insurance Company:

We have audited the accompanying non-consolidated financial statements of Meiji Yasuda Life Insurance Company, which comprise the non-consolidated balance sheets as at March 31, 2013, 2014 and 2015, and the non-consolidated statements of income, the non-consolidated statements of changes in net assets and the non-consolidated proposed appropriation of surplus for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of Meiji Yasuda Life Insurance Company as at March 31, 2013, 2014 and 2015, and its financial performance for the years then ended in accordance with the provisions of the Insurance Business Act and its related regulations thereunder and in comformity with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 29 Subsequent Events to the non-consolidated financial statements. Meiji Yasuda Life Insurance Company entered into a definitive agreement to acquire 100% of the outstanding shares of StanCorp Financial Group, Inc. on July 23 (July 24, Japan local time), 2015.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

KPMG AZSA LLC
August 28, 2015
Tokyo, Japan

Meiji Yasuda Life Insurance Company
Non-consolidated Balance Sheets

As of March 31	Millions of Yen 2013	Millions of Yen 2014	Millions of Yen 2015	Millions of U.S. Dollars 2015
ASSETS:				
Cash and deposits (Note 3)				
Cash	¥ 570	¥ 307	¥ 228	$ 1
Deposits	187,922	164,008	159,822	1,305
Subtotal	**188,492**	**164,315**	**160,050**	**1,307**
Call loans	**369,000**	**244,000**	**368,000**	**3,005**
Monetary claims bought (Note 3)	**265,252**	**233,622**	**229,523**	**1,874**
Securities (Notes 3, 4, 5, and 6)				
National government bonds	14,004,920	14,315,853	14,116,333	115,282
Local government bonds	1,044,440	940,031	768,778	6,278
Corporate bonds	1,657,100	1,816,135	1,822,072	14,880
Domestic stocks	3,166,734	3,471,850	4,362,817	35,629
Foreign securities	5,344,280	6,124,485	7,553,114	61,683
Other securities	415,213	536,072	619,146	5,056
Subtotal	**25,632,690**	**27,204,427**	**29,242,263**	**238,809**
Loans (Notes 3, 7, and 8)				
Policy loans	317,688	304,630	289,921	2,367
Industrial and consumer loans	4,880,457	4,832,134	4,762,317	38,891
Subtotal	**5,198,145**	**5,136,765**	**5,052,238**	**41,259**
Tangible fixed assets (Notes 9, 10, 11, and 12)				
Land	631,342	623,453	613,832	5,012
Buildings	329,278	310,528	296,709	2,423
Construction in progress	2,352	3,650	6,045	49
Other tangible fixed assets	4,203	3,810	3,248	26
Subtotal	**967,176**	**941,443**	**919,835**	**7,511**
Intangible fixed assets				
Software	28,749	37,671	37,443	305
Other intangible fixed assets	28,146	19,968	26,274	214
Subtotal	**56,896**	**57,639**	**63,717**	**520**
Due from agents	**1**	**2**	**33**	**0**
Reinsurance receivables	**1,211**	**2,748**	**506**	**4**
Other assets				
Accounts receivable	81,807	84,419	93,162	760
Prepaid expenses	4,491	4,703	4,760	38
Accrued income	87,992	95,556	98,334	803
Money on deposit	7,350	8,090	8,261	67
Deposits for futures transactions	908	868	1,157	9
Margins on futures transactions	–	46	18	0
Derivative financial instruments (Note 3)	21,089	13,025	52,381	427
Cash collaterals pledged for financial instruments	4,970	3,380	43,110	352
Suspense	3,866	4,511	3,087	25
Other assets	9,029	8,472	8,232	67
Subtotal	**221,506**	**223,074**	**312,506**	**2,552**
Prepaid pension cost (Note 13)	**86,932**	**96,495**	**104,534**	**853**
Customers' liabilities under acceptances and guarantees	**22,958**	**21,344**	**20,848**	**170**
Allowance for possible loan losses	**(9,522)**	**(8,135)**	**(5,034)**	**(41)**
Total assets	**¥33,000,742**	**¥34,317,745**	**¥36,469,024**	**$297,827**

Meiji Yasuda Life Insurance Company
Non-consolidated Balance Sheets (continued)

As of March 31	Millions of Yen 2013	Millions of Yen 2014	Millions of Yen 2015	Millions of U.S. Dollars 2015
LIABILITIES:				
Policy reserves and other reserves				
Reserve for outstanding claims (Note 14)	¥ 110,259	¥ 113,752	¥ 108,483	$ 885
Policy reserves (Note 14)	27,812,655	29,210,826	30,164,629	246,342
Policyholders' dividend reserves (Note 15)	280,524	270,023	253,414	2,069
Subtotal	**28,203,439**	**29,594,602**	**30,526,528**	**249,297**
Reinsurance payables	**1,132**	**2,852**	**635**	**5**
Other liabilities				
Payables under securities borrowing transactions (Note 3)	946,281	640,951	220,000	1,796
Loans payable (Notes 3 and 16)	100,000	100,000	100,000	816
Income taxes payable	61,327	80,196	49,760	406
Accounts payable	72,692	44,660	62,975	514
Accrued expenses	24,490	25,557	28,129	229
Deferred income	2,358	2,209	2,450	20
Deposits received	24,887	24,646	25,038	204
Guarantee deposits received	32,434	32,510	32,541	265
Margins on futures transactions	44	2	3	0
Derivative financial instruments (Note 3)	114,445	45,817	96,553	788
Cash collaterals received for financial instruments	4,880	6,300	19,870	162
Asset retirement obligations	3,406	3,475	3,539	28
Suspense receipts	23,929	10,571	8,250	67
Subtotal	**1,411,177**	**1,016,897**	**649,112**	**5,301**
Accrued retirement benefits for directors and executive officers (Note 17)	**393**	**183**	**92**	**0**
Reserve for contingent liabilities (Note 18)	**2,563**	**14**	**2**	**0**
Reserve for price fluctuation	**363,544**	**480,840**	**492,482**	**4,021**
Deferred tax liabilities (Note 19)	**176,518**	**151,334**	**513,117**	**4,190**
Deferred tax liabilities for land revaluation	**94,555**	**92,910**	**85,877**	**701**
Acceptances and guarantees	**22,958**	**21,344**	**20,848**	**170**
Total liabilities	**30,276,282**	**31,360,979**	**32,288,695**	**263,688**
NET ASSETS:				
Foundation funds (Note 20)	**210,000**	**260,000**	**260,000**	**2,123**
Reserve for redemption of foundation funds (Note 20)	**410,000**	**410,000**	**470,000**	**3,838**
Reserve for revaluation	**452**	**452**	**452**	**3**
Surplus	**355,354**	**441,313**	**481,603**	**3,933**
Reserve for future losses	**8,389**	**8,854**	**9,336**	**76**
Other surplus	**346,965**	**432,458**	**472,267**	**3,856**
Reserve for fund redemption	40,000	85,000	80,000	653
Fund for price fluctuation allowance	29,764	29,764	29,764	243
Reserve for promotion of social welfare project	48	48	48	0
Reserve for business infrastructure	28,000	50,000	75,000	612
Reserve for reduction entry of real estate	23,474	24,052	23,859	194
Special reserves	2,000	2,000	2,000	16
Other reserves	85	85	85	0
Unappropriated surplus	223,593	241,508	261,509	2,135
Total funds, reserve and surplus	**975,807**	**1,111,766**	**1,212,056**	**9,898**
Net unrealized gains on available-for-sale securities	**1,637,216**	**1,738,003**	**2,833,827**	**23,142**
Deferred unrealized gains on derivatives under hedge accounting	**3,815**	**944**	**15,456**	**126**
Land revaluation differences	**107,619**	**106,051**	**118,988**	**971**
Total unrealized gains, revaluation reserves and adjustments	**1,748,651**	**1,845,000**	**2,968,272**	**24,240**
Total net assets	**2,724,459**	**2,956,766**	**4,180,328**	**34,139**
Total liabilities and net assets	**¥ 33,000,742**	**¥ 34,317,745**	**¥ 36,469,024**	**$ 297,827**

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Income

Years ended March 31	Millions of Yen 2013	Millions of Yen 2014	Millions of Yen 2015	Millions of U.S. Dollars 2015
ORDINARY INCOME:				
Insurance premiums and other				
Insurance premiums	¥ 3,658,582	¥ 3,615,578	¥ 3,407,946	$ 27,831
Reinsurance revenue	768	718	500	4
Subtotal	**3,659,351**	**3,616,296**	**3,408,447**	**27,835**
Investment income (Note 24)				
Interest, dividends and other income	618,975	667,637	698,142	5,701
Interest on deposits	60	70	61	0
Interest and dividends on securities	475,780	522,612	558,623	4,562
Interest on loans	101,035	100,910	95,007	775
Rent revenue from real estate	32,163	33,420	33,404	272
Other interest and dividends	9,935	10,623	11,044	90
Gains on money held in trust	0	0	0	0
Gains on sales of securities	150,968	220,575	186,196	1,520
Gains on redemption of securities	5,358	36,416	58,075	474
Foreign exchange gains	746	14	–	–
Reversal of allowance for possible loan losses	491	1,363	2,875	23
Other investment income	132	14	23	0
Investment gains on separate accounts	82,950	52,769	83,806	684
Subtotal	**859,623**	**978,790**	**1,029,120**	**8,404**
Other ordinary income				
Income from annuity riders	16,723	16,550	14,979	122
Income from deferred benefits	131,831	113,053	87,118	711
Reversal of reserves for outstanding claims (Note 25)	3,803	–	5,268	43
Reversal of accrued retirement benefits	12,932	9,563	5,733	46
Other ordinary income	6,769	6,994	7,960	65
Subtotal	**172,060**	**146,161**	**121,061**	**988**
Total ordinary income	**¥ 4,691,035**	**¥ 4,741,249**	**¥ 4,558,629**	**$ 37,228**

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Income (continued)

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
ORDINARY EXPENSES:				
Benefits and other payments				
Claims paid	¥ 797,407	¥ 670,538	¥ 635,653	$ 5,191
Annuity payments	529,255	616,182	849,823	6,940
Benefit payments	473,231	450,420	427,691	3,492
Surrender benefits	407,325	436,951	451,984	3,691
Other refunds	76,674	96,549	225,214	1,839
Reinsurance premiums	4,985	5,549	6,021	49
Subtotal	**2,288,879**	**2,276,192**	**2,596,389**	**21,203**
Provision for policy reserves and other reserves				
Provision for reserve for outstanding claims (Note 25)	–	3,493	–	–
Provision for policy reserves (Note 25)	1,343,348	1,398,171	953,803	7,789
Provision for interest on policyholders' dividend reserves (Note 15)	522	490	461	3
Subtotal	**1,343,871**	**1,402,155**	**954,264**	**7,793**
Investment expenses (Note 24)				
Interest expenses	2,858	3,239	3,292	26
Losses on sales of securities	16,204	27,984	365	2
Losses on valuation of securities	28,411	1,704	300	2
Losses on redemption of securities	6,126	0	–	–
Losses on derivative financial instruments	34,261	57,491	71,082	580
Foreign exchange losses	–	–	145	1
Depreciation of real estate for non-insurance business	9,916	9,613	9,513	77
Other investment expenses	9,123	9,946	11,173	91
Subtotal	**106,903**	**109,979**	**95,874**	**782**
Operating expenses (Note 26)	**353,049**	**352,046**	**348,426**	**2,845**
Other ordinary expenses				
Deferred benefit payments	148,880	129,626	125,661	1,026
Taxes	25,264	23,072	28,282	230
Depreciation	21,794	21,394	20,738	169
Other ordinary expenses	5,441	5,117	5,137	41
Subtotal	**201,380**	**179,211**	**179,820**	**1,468**
Total ordinary expenses	**4,294,084**	**4,319,585**	**4,174,775**	**34,093**
Ordinary profit	**¥ 396,951**	**¥ 421,664**	**¥ 383,854**	**$ 3,134**

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Income (continued)

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
Extraordinary gains				
Gains on disposals of fixed assets	¥ 9,783	¥ 1,408	¥ 5,951	$ 48
Reversal of reserve for contingent liabilities	90	–	12	0
Subtotal	**9,874**	**1,408**	**5,964**	**48**
Extraordinary losses				
Losses on disposals of fixed assets	5,831	7,499	5,566	45
Impairment losses (Note 12)	3,440	5,299	6,296	51
Provision for reserve for contingent liabilities	–	6	–	–
Provision for reserve for price fluctuation	112,500	117,295	11,642	95
Losses on reduction entry of real estate	83	–	2,413	19
Contributions for promotion of social welfare project	552	553	552	4
Other extraordinary losses (Note 13)	–	–	1,669	13
Subtotal	**122,409**	**130,654**	**28,140**	**229**
Surplus before income taxes	**284,415**	**292,418**	**361,677**	**2,953**
Income taxes (Note 19)				
Current	84,723	123,035	117,680	961
Deferred	(35,845)	(70,004)	(21,258)	(173)
Total income taxes	**48,877**	**53,030**	**96,422**	**787**
Net surplus	**¥ 235,537**	**¥ 239,387**	**¥ 265,255**	**$ 2,166**

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Changes in Net Assets

Year ended March 31, 2013 — Millions of Yen

	Funds, reserve and surplus													
			Surplus											
					Other surplus									
	Foundation funds (Note 20)	Reserve for redemption of foundation funds (Note 20)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	110,000	410,000	452	7,984	15,000	29,764	48	17,000	20,791	2,000	85	174,424	267,097	787,550
Changes in the fiscal year														
Issuance of foundation funds	100,000													100,000
Additions to policyholders' dividend reserves (Note 15)												(133,466)	(133,466)	(133,466)
Additions to reserve for future losses				405								(405)		
Payment of interest on foundation funds												(1,316)	(1,316)	(1,316)
Net surplus												235,537	235,537	235,537
Additions to reserve for fund redemption					25,000							(25,000)		
Additions to reserve for promotion of social welfare project							553					0		
Reversal of reserve for promotion of social welfare project							(552)					552		
Additions to reserve for business infrastructure								11,000				(11,000)		
Additions to reserve for reduction entry of real estate									3,201			(3,201)		
Reversal of reserve for reduction entry of real estate									(518)			518		
Reversal of land revaluation differences												(12,497)	(12,497)	(12,497)
Net changes, excluding funds, reserves and surplus														
Net changes in the fiscal year	100,000	–	–	405	25,000	–	0	11,000	2,683	–	–	49,168	88,257	188,257
Ending balance	210,000	410,000	452	8,389	40,000	29,764	48	28,000	23,474	2,000	85	223,593	355,354	975,807

Year ended March 31, 2013 — Millions of Yen

	Unrealized gains (losses), revaluation reserve and adjustments				
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments	Total net assets
Beginning balance	824,775	(1,524)	95,096	918,347	1,705,897
Changes in the fiscal year					
Issuance of foundation funds					100,000
Additions to policyholders' dividend reserves (Note 15)					(133,466)
Additions to reserve for future losses					
Payment of interest on foundation funds					(1,316)
Net surplus					235,537
Additions to reserve for fund redemption					
Additions to reserve for promotion of social welfare project					
Reversal of reserve for promotion of social welfare project					
Additions to reserve for business infrastructure					
Additions to reserve for reduction entry of real estate					
Reversal of reserve for reduction entry of real estate					
Reversal of land revaluation differences					(12,497)
Net changes, excluding funds, reserves and surplus	812,440	5,340	12,523	830,304	830,304
Net changes in the fiscal year	812,440	5,340	12,523	830,304	1,018,561
Ending balance	1,637,216	3,815	107,619	1,748,651	2,724,459

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2014													Millions of Yen
	Funds, reserve and surplus												
			Surplus										
				Other surplus									
	Foundation funds (Note 20)	Reserve for redemption of foundation funds (Note 20)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	210,000	410,000	452	8,389	40,000	29,764	48	28,000	23,474	2,000	85	223,593	355,354	975,807
Changes in the fiscal year														
Issuance of foundation funds	50,000													50,000
Additions to policyholders' dividend reserves (Note 15)												(152,835)	(152,835)	(152,835)
Additions to reserve for future losses				465								(465)		
Payment of interest on foundation funds												(2,162)	(2,162)	(2,162)
Net surplus												239,387	239,387	239,387
Additions to reserve for fund redemption					45,000							(45,000)		
Additions to reserve for promotion of social welfare project							553					(553)		
Reversal of reserve for promotion of social welfare project							(553)					553		
Additions to reserve for business infrastructure								22,000				(22,000)		
Additions to reserve for reduction entry of real estate									1,123			(1,123)		
Reversal of reserve for reduction entry of real estate									(545)			545		
Reversal of land revaluation differences												1,568	1,568	1,568
Net changes, excluding funds, reserves and surplus														
Net changes in the fiscal year	50,000	–	–	465	45,000	–	–	22,000	577	–	–	17,915	85,958	135,958
Ending balance	260,000	410,000	452	8,854	85,000	29,764	48	50,000	24,052	2,000	85	241,508	441,313	1,111,766

Year ended March 31, 2014					Millions of Yen
	Unrealized gains (losses), revaluation reserve and adjustments				
	Net unrealized gains (losses) on available-for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments	Total net assets
Beginning balance	1,637,216	3,815	107,619	1,748,651	2,724,459
Changes in the fiscal year					
Issuance of foundation funds					50,000
Additions to policyholders' dividend reserves (Note 15)					(152,835)
Additions to reserve for future losses					
Payment of interest on foundation funds					(2,162)
Net surplus					239,387
Additions to reserve for fund redemption					
Additions to reserve for promotion of social welfare project					
Reversal of reserve for promotion of social welfare project					
Additions to reserve for business infrastructure					
Additions to reserve for reduction entry of real estate					
Reversal of reserve for reduction entry of real estate					
Reversal of land revaluation differences					1,568
Net changes, excluding funds, reserves and surplus	100,787	(2,871)	(1,568)	96,348	96,348
Net changes in the fiscal year	100,787	(2,871)	(1,568)	96,348	232,306
Ending balance	1,738,003	944	106,051	1,845,000	2,956,766

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2015														Millions of Yen
	Funds, reserve and surplus													
				Surplus										
					Other surplus									
	Foundation funds (Note 20)	Reserve for redemption of foundation funds (Note 20)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	260,000	410,000	452	8,854	85,000	29,764	48	50,000	24,052	2,000	85	241,508	441,313	1,111,766
Cumulative effect of change in accounting policies												2,752	2,752	2,752
Beginning balance after reflecting accounting policy changes	260,000	410,000	452	8,854	85,000	29,764	48	50,000	24,052	2,000	85	244,261	444,066	1,114,518
Changes in the fiscal year														
Issuance of foundation funds	60,000													60,000
Additions to policyholders' dividend reserves (Note 15)												(158,094)	(158,094)	(158,094)
Additions to reserve for future losses				482								(482)		
Additions to reserve for redemption of foundation funds		60,000												60,000
Payment of interest on foundation funds												(2,572)	(2,572)	(2,572)
Net surplus												265,255	265,255	265,255
Redemption of foundation funds	(60,000)													(60,000)
Additions to reserve for fund redemption					55,000							(55,000)		
Reversal of reserve for fund redemption					(60,000)								(60,000)	(60,000)
Additions to reserve for promotion of social welfare project							553					(553)		
Reversal of reserve for promotion of social welfare project							(552)					552		
Additions to reserve for business infrastructure								25,000				(25,000)		
Additions to reserve for reduction entry of real estate									358			(358)		
Reversal of reserve for reduction entry of real estate									(551)			551		
Reversal of land revaluation differences												(7,051)	(7,051)	(7,051)
Net changes, excluding funds, reserves and surplus														
Net changes in the fiscal year	–	60,000	–	482	(5,000)	–	0	25,000	(192)	–	–	17,248	37,537	97,537
Ending balance	260,000	470,000	452	9,336	80,000	29,764	48	75,000	23,859	2,000	85	261,509	481,603	1,212,056

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2015 — Millions of Yen

	Unrealized gains (losses), revaluation reserve and adjustments				
	Net unrealized gains (losses) on available -for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments	Total net assets
Beginning balance	1,738,003	944	106,051	1,845,000	2,956,766
Cumulative effect of change in accounting policies					2,752
Beginning balance after reflecting accounting policy changes	1,738,003	944	106,051	1,845,000	2,959,519
Changes in the fiscal year					
Issuance of foundation funds					60,000
Additions to policyholders' dividend reserves (Note 15)					(158,094)
Additions to reserve for future losses					
Additions to reserve for redemption of foundation funds					60,000
Payment of interest on foundation funds					(2,572)
Net surplus					265,255
Redemption of foundation funds					(60,000)
Additions to reserve for fund redemption					
Reversal of reserve for fund redemption					(60,000)
Additions to reserve for promotion of social welfare project					
Reversal of reserve for promotion of social welfare project					
Additions to reserve for business infrastructure					
Additions to reserve for reduction entry of real estate					
Reversal of reserve for reduction entry of real estate					
Reversal of land revaluation differences					(7,051)
Net changes, excluding funds, reserves and surplus	1,095,824	14,511	12,936	1,123,272	1,123,272
Net changes in the fiscal year	1,095,824	14,511	12,936	1,123,272	1,220,809
Ending balance	2,833,827	15,456	118,988	2,968,272	4,180,328

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2015														Millions of U.S. Dollars
	Funds, reserve and surplus													
			Surplus											
					Other surplus									
	Foundation funds (Note 20)	Reserve for redemption of foundation funds (Note 20)	Reserve for revaluation	Reserve for future losses	Reserve for fund redemption	Fund for price fluctuation allowance	Reserve for promotion of social welfare project	Reserve for business infrastructure	Reserve for reduction entry of real estate	Special reserves	Other reserves	Unappropriated surplus	Total surplus	Total funds, reserve and surplus
Beginning balance	2,123	3,348	3	72	694	243	0	408	196	16	0	1,972	3,604	9,079
Cumulative effect of change in accounting policies												22	22	22
Beginning balance after reflecting accounting policy changes	2,123	3,348	3	72	694	243	0	408	196	16	0	1,994	3,626	9,101
Changes in the fiscal year														
Issuance of foundation funds	489													489
Additions to policyholders' dividend reserves (Note 15)												(1,291)	(1,291)	(1,291)
Additions to reserve for future losses				3								(3)		
Additions to reserve for redemption of foundation funds		489												489
Payment of interest on foundation funds												(21)	(21)	(21)
Net surplus												2,166	2,166	2,166
Redemption of foundation funds	(489)													(489)
Additions to reserve for fund redemption					449							(449)		
Reversal of reserve for fund redemption					(489)								(489)	(489)
Additions to reserve for promotion of social welfare project							4					(4)		
Reversal of reserve for promotion of social welfare project							(4)					4		
Additions to reserve for business infrastructure								204				(204)		
Additions to reserve for reduction entry of real estate									2			(2)		
Reversal of reserve for reduction entry of real estate									(4)			4		
Reversal of land revaluation differences												(57)	(57)	(57)
Net changes, excluding funds, reserves and surplus														
Net changes in the fiscal year	–	489	–	3	(40)	–	0	204	(1)	–	–	140	306	796
Ending balance	2,123	3,838	3	76	653	243	0	612	194	16	0	2,135	3,933	9,898

Meiji Yasuda Life Insurance Company
Non-consolidated Statements of Changes in Net Assets (continued)

Year ended March 31, 2015	Millions of U.S. Dollars				
	Unrealized gains (losses), revaluation reserve and adjustments				
	Net unrealized gains (losses) on available -for-sale securities	Deferred unrealized gains (losses) on derivatives under hedge accounting	Land revaluation differences	Total unrealized gains (losses), revaluation reserve and adjustments	Total net assets
Beginning balance	14,193	7	866	15,067	24,146
Cumulative effect of change in accounting policies					22
Beginning balance after reflecting accounting policy changes	14,193	7	866	15,067	24,169
Changes in the fiscal year					
Issuance of foundation funds					489
Additions to policyholders' dividend reserves (Note 15)					(1,291)
Additions to reserve for future losses					
Additions to reserve for redemption of foundation funds					489
Payment of interest on foundation funds					(21)
Net surplus					2,166
Redemption of foundation funds					(489)
Additions to reserve for fund redemption					
Reversal of reserve for fund redemption					(489)
Additions to reserve for promotion of social welfare project					
Reversal of reserve for promotion of social welfare project					
Additions to reserve for business infrastructure					
Additions to reserve for reduction entry of real estate					
Reversal of reserve for reduction entry of real estate					
Reversal of land revaluation differences					(57)
Net changes, excluding funds, reserves and surplus	8,949	118	105	9,173	9,173
Net changes in the fiscal year	8,949	118	105	9,173	9,969
Ending balance	23,142	126	971	24,240	34,139

Meiji Yasuda Life Insurance Company
Non-consolidated Proposed Appropriation of Surplus

		Millions of Yen		Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Unappropriated surplus	**¥ 223,593**	**¥ 241,508**	**¥ 261,509**	**$ 2,135**
Reversal of voluntary surplus reserves:	**545**	**551**	**574**	**4**
Reversal of reserve for reduction entry of real estate	545	551	574	4
Total	**224,138**	**242,059**	**262,084**	**2,140**
Appropriation of surplus (Note 29)	**224,138**	**242,059**	**262,084**	**2,140**
Provision for policyholders' dividend reserves	152,835	158,094	180,044	1,470
Net surplus	71,303	83,965	82,039	669
Reserve for future losses	465	482	547	4
Interest on foundation funds	2,162	2,572	2,101	17
Voluntary surplus reserves:	68,676	80,911	79,391	648
Reserve for fund redemption	45,000	55,000	52,000	424
Reserve for promotion of social welfare project	553	553	553	4
Reserve for business infrastructure	22,000	25,000	25,000	204
Reserve for reduction entry of real estate	1,123	358	1,838	15

Meiji Yasuda Life Insurance Company
Notes to the Non-consolidated Financial Statements

1. Basis of Presentation

MEIJI YASUDA LIFE INSURANCE COMPANY (hereafter, “the Company”) has prepared the accompanying non-consolidated financial statements in accordance with the provisions set forth in the Japanese “Insurance Business Act” and its related accounting regulations in Japan, and in conformity with accounting principles generally accepted in Japan, which may differ in certain respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made to the non-consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Amounts are rounded down to the nearest million yen. As a result, the totals do not add up. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate prevailing at June 30, 2015, which was ¥122.45 to U.S. $1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Securities

Securities held by the Company are classified and accounted for as follows:

a. Trading securities are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

b. Held-to-maturity debt securities are stated at amortized cost using the moving average method and the amortization is calculated using the straight-line method.

c. Policy-reserve-matching bonds are stated at amortized cost in accordance with the “Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry,” (Japanese Institute of Certified Public Accountants (JICPA), issued on November 16, 2000). The cost of sales is determined by the moving average method and the amortization of discount/premium is calculated using the straight-line method.

d. Equity securities issued by subsidiaries and affiliates are stated at cost using the moving average method. The subsidiaries are prescribed under Article 2, Paragraph 12 of the “Insurance Business Act” and Article 13-5-2, Paragraph 3 of the “Order for Enforcement of the Insurance Business Act.” The affiliates are under Paragraph 4 of the order.

e. Available-for-sale securities
i) Securities of which market value is readily available
Stocks are stated at the average of the market value during the final month of the fiscal year. Others are stated at market value at the balance sheet date. The cost of sales is determined by the moving average method.

ii) Securities of which market value is extremely difficult to determine
Bonds (including foreign bonds) of which premium or discount are regarded as interest rate adjustment are stated at amortized cost using the moving average method. The amortization is calculated using the straight-line method. Other securities are stated at cost using the moving average method.

iii) Unrealized gains and losses on available-for-sale securities are reported as a component of net assets in the non-consolidated balance sheets.

(2) Policy-reserve-matching bonds

The Company classifies bonds held with the aim of matching the duration to outstanding insurance liabilities within the sub-groups (categorized by insurance type, investment policy and other factors) of individual life insurance, individual annuities and group pensions as policy-reserve-matching bonds in accordance with the "Temporary Treatment of Accounting and Auditing Concerning Policy-Reserve-Matching Bonds in the Insurance Industry" (JICPA, issued on November 16, 2000).

(3) Derivative transactions

Derivative transactions are stated at fair value.

(4) Method of hedge accounting

Methods of hedge accounting are in accordance with the "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008). These methods consist primarily of:
- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans receivable and payable;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation related to foreign currency denominated loans; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Hedge effectiveness for the deferred hedge accounting to hedge against interest rate fluctuation risk related to insurance liabilities is assessed by verifying the correlation between interest rates that would be used in calculating theoretical prices of hedged items and hedging instruments.

(5) Tangible fixed assets

Tangible fixed assets owned by the Company are depreciated as follows:

a. Buildings
Calculated using the straight-line method.

b. Other tangible fixed assets
Calculated using the declining-balance method.

Tangible fixed assets are presented at cost, net of accumulated depreciation and impairment losses.

The estimated useful lives of major items are as follows:

Buildings	2 to 50 years
Other tangible fixed assets	2 to 20 years

Revaluation of land

The Company revalued certain parcels of land owned for operational use as of March 31, 2000, as permitted by the "Act on Revaluation of Land".

The difference in value before and after revaluation is directly included in net assets in the non-consolidated balance sheets and presented as land revaluation differences, after net of income taxes which is presented as deferred tax liabilities for land revaluation in the non-consolidated balance sheets. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the Company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the "Order for Enforcement of the Act on Revaluation of Land") for the revaluation.

The Company also revalued certain parcels of land acquired from former Yasuda Mutual Life Insurance Company upon the merger on January 1, 2004 as of March 31, 2001, as permitted by the act. As a revaluation method stipulated in Article 3, Paragraph 3 of the act, the former company used the publicly announced appraisal value with certain adjustments (detailed in Article 2, Item 1 of the order) and appraisal value (detailed in Article 2, Item 5 of the order) for the revaluation.

(6) Software

Capitalized software for internal use owned by the Company (included in intangible fixed assets in the non-consolidated balance sheets) is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

(7) Allowance for possible loan losses

Allowance for possible loan losses of the Company is provided pursuant to its standards for self assessment of asset quality and internal rules for write-offs of loans and allowance for possible loan losses.

For loans to borrowers that are legally bankrupt (hereafter, "bankrupt borrowers") and for loans to borrowers that are not yet legally bankrupt but substantially bankrupt (hereafter, "substantially bankrupt borrowers"), an allowance is provided based on the total amounts of the loans after deduction of charge-offs and any amounts expected to be collected through the disposal of collaterals and the execution of guarantees.

For loans to borrowers that have high possibility of bankruptcy (hereafter, "borrowers with high possibility of bankruptcy"), an allowance is provided at the amount deemed necessary based on an overall solvency assessment, net of the expected collection by disposal of collaterals and by executing guarantees.

For other loans, an allowance is provided by multiplying the claim amount by an anticipated default rate calculated based on the Company's actual default experience for a certain period in the past.

All loans are assessed by the department concerned based on the Company's standards for the self-assessment of asset quality and an independent department is responsible for audit of its self-assessment. The allowance for possible loan losses is provided based on the result of the assessment.

For loans with collaterals to bankrupt borrowers and substantially bankrupt borrowers, the amount of loans exceeding the value of estimated recovery through disposal of collaterals or execution of guarantees is deemed uncollectible and written off. The amount of loans written off for the years ended March 31, 2013, 2014 and 2015 amounted to ¥140 million, ¥59 million and ¥50 million (U.S. $0 million), respectively.

(8) Policy reserves

Policy reserves of the Company are provided pursuant to Article 116 of the “Insurance Business Act”.

Premium reserves, a main component of policy reserves, are calculated according to the following method:

a. For contracts that are subject to the standard policy reserve requirements, the premium reserves are calculated pursuant to the method stipulated by the Prime Minister (Ministry of Finance Notification No. 48 in 1996).

b. For contracts that are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

The policy reserves include an amount to be additionally set aside as the difference arising from calculations of premium reserves using the expected rate of interest of 2.75% for individual annuity contracts concluded on or before April 1, 1996 pursuant to Article 69, Paragraph 5 of the “Ordinance for Enforcement of the Insurance Business Act”. The accumulation of the amount was completed on schedule over a period of three years starting in the year ended March 31, 2008. Besides, an additional reserve corresponding to the period after the beginning of annuity payment shall be accumulated at the beginning of the payment of the above annuity contracts.

For the year ended March 31, 2015, the Company additionally set aside the policy reserves for variable life insurance contracts, and single premium endowment contracts concluded on or after September 2, 1995 pursuant to Article 69, Paragraph 5 of the ordinance. As a result, policy reserves increased by ¥192,343 million (U.S. $1,570 million) as of March 31, 2015 and ordinary profit and surplus before income taxes decreased by ¥192,343 million (U.S. $1,570 million) for the year ended March 31, 2015 compared to the cases where the Company did not accumulate the additional reserves.

(9) Accrued retirement benefits

Accrued retirement benefits of the Company are provided based on the estimate of retirement benefit obligations and plan assets at the balance sheet date.

No accrued retirement benefits were recognized on the liabilities due to the plan assets in excess of the retirement benefit obligations as of March 31, 2013, 2014 and 2015, respectively.

(10) Reserve for price fluctuation

Reserve for price fluctuation of the Company is calculated pursuant to Article 115 of the “Insurance Business Act”.

(11) Revenue recognition

Insurance premiums are recognized when premiums are received, and insurance premiums due but not collected are not recognized as revenue. Unearned insurance premiums are recognized as policy reserves.

(12) Policy acquisition costs

Policy acquisition costs are expensed when incurred.

(13) Accounting for consumption taxes

National and local consumption taxes of the Company are accounted for using the tax-excluded method. Non-deductible consumption taxes are recognized as expenses for the period, except for those relating to purchases of depreciable fixed assets which are not charged to expense but deferred as prepaid expenses and amortized over a five-year period on the straight-line basis pursuant to the "Corporation Tax Act".

(14) Foreign currency translation

Assets and liabilities denominated in foreign currencies, except for equity securities issued by subsidiaries and affiliates, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Equity securities issued by subsidiaries and affiliates are translated into Japanese yen at the exchange rates on the dates of acquisition.

(15) New accounting standards

a. From the beginning of the year ended March 31, 2013, tangible fixed assets acquired on or after April 1, 2012 are accounted for using the straight-line method as stipulated by the revised "Corporation Tax Act." The effect of this revision for the year ended March 31, 2013 was immaterial.

b. The Company changed the method of attributing expected retirement benefit to periods from the straight-line basis to the benefit formula basis from the beginning of the year ended March 31, 2015 in accordance with "Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ, issued on May 17, 2012) which have been applied from the beginning of the year ended March 31, 2015.

The amount of the effect of the change in the method of calculation of retirement benefit obligations and service costs was included in surplus in the non-consolidated balance sheet at the beginning of the year ended March 31, 2015 in accordance with the transitional treatment set out in Paragraph 37 of the standard.

As a result, surplus at the beginning of the period increased by ¥2,752 million (U.S. $22 million) and, as well, ordinary profit and surplus before income taxes decreased by ¥806 million (U.S. $6 million) for the year ended March 31, 2015.

3. Financial Instruments

(1) Qualitative information on financial instruments

The Company develops the asset and liability management based on surplus, and it monitors a surplus derived from the difference between the economic values of assets and liabilities as a measure of financial soundness, in order to manage its investment assets (excluding the assets of the separate account prescribed in Article 118, Paragraph 1 of the "Insurance Business Act").

Based on this risk management, the Company mainly invests in securities and loans. Securities held primarily consist of bonds, stocks, investment trusts and investments in partnership capital. Loans primarily consist of loans to domestic corporate borrowers.

The use of derivatives is, in principle, limited to hedging activities as a primary method of hedging against invested asset risk and insurance liability risk.

Methods of hedge accounting are in accordance with the "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008). These methods consist primarily of:
- the special hedge accounting using interest rate swaps to hedge against cash flow volatility related to loans;
- the fair value hedge accounting using forward exchange contracts to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the deferred hedge accounting using currency swaps to hedge against exchange rate fluctuation risk related to foreign currency denominated bonds;
- the allocation method using currency swaps to hedge against exchange rate fluctuation related to foreign currency denominated loans; and
- the deferred hedge accounting using interest rate swaps to hedge against interest rate fluctuation risk related to insurance liabilities.

Securities are exposed to market risk (interest rate fluctuation risk, exchange rate fluctuation risk and price fluctuation risk) and credit risk. Loans are exposed to credit risk and interest rate fluctuation risk. Derivative transactions are exposed to market risk and credit risk.

Loans payable are exposed to interest rate fluctuation risk arising from floating interest rate borrowings.

With regard to the interest rate fluctuation risk management, the Company manages the fluctuation risk on the basis of economic values from a surplus management perspective, by purchasing super long-term bonds to keep asset duration stable and using interest rate swaps for the interest rate risk hedge against insurance liabilities.

To manage the exchange rate fluctuation risk, the Company hedges against exchange rate fluctuation using forward exchange contracts where necessary for appropriate controls of exchange rate fluctuation risk.

To manage the price fluctuation risk, the Company performs integrated management for outstanding balances and the profit and loss situation of securities and derivative transactions and also monitors loss limits to minimize unexpected losses.

In addition to the Value at Risk (VaR) method to measure the maximum expected loss, the Company performs stress tests periodically to simulate conditions that might arise in the event of sharp market fluctuations that exceed normal forecasts.

The profit and loss status and compliance with these procedures are monitored by the investment risk management department, reported regularly (or immediately in urgent cases) to the sub-committee of investment risk management and, on important matters reported directly to the Board of Directors and Committees.

To manage credit risk, the Company carefully identifies risks in each transaction and limits investments to those that are assessed to be of high quality.

Where credit risk assessment is particularly important regarding corporate loans, the credit risk management department ensures that a rigorous screening system is in place, and monitors borrowers and internal credit rating using corporate screening methods. The Company follows careful discussions by the Investment Committee (Management Committee) to make decisions on highly important deals.

Further, the Company sets exposure limits based on counterparties' creditworthiness to ensure that risk is not concentrated among certain companies or groups, and diversifies investments.

With regard to derivative transactions, the Company limits risk by setting up policies and establishing limits by the type of transaction and by each counterparty. At the same time, a system of internal checks is in place by segregating the departments executing the transactions from the administrative departments to ensure risk management is on an appropriate footing.

The fair value of financial instruments is based on the market price or, in cases where market price is not available, based on prices calculated using reasonable methods.

Since certain assumptions are adopted for the price calculations, the prices calculated may differ when different assumptions are used.

(2) Fair values of financial instruments

The amounts of the principal financial assets and liabilities reported in the non-consolidated balance sheets at the end of the fiscal year, and fair values and the differences between them, were as follows:

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Cash and deposits	¥188,492	¥188,492	¥ –	¥164,315	¥164,315	¥ –	¥160,050	¥160,050	¥ –	$1,307	$1,307	$ –
Available-for-sale securities (CDs)	22,999	22,999	–	9,999	9,999	–	6,000	6,000	–	48	48	–
Monetary claims bought	240,513	255,908	15,394	233,622	245,033	11,410	229,523	241,833	12,309	1,874	1,974	100
Held-to-maturity debt securities	208,727	224,121	15,394	204,308	215,719	11,410	200,223	212,532	12,309	1,635	1,735	100
Available-for-sale securities	31,786	31,786	–	29,313	29,313	–	29,300	29,300	–	239	239	–
Securities	24,632,785	25,328,279	695,494	26,227,537	26,878,123	650,585	28,264,546	29,550,365	1,285,819	230,825	241,325	10,500
Trading securities	730,472	730,472	–	775,067	775,067	–	808,800	808,800	–	6,605	6,605	–
Held-to-maturity debt securities	5,850,947	6,397,042	546,095	5,580,085	6,041,759	461,674	5,049,665	5,684,417	634,752	41,238	46,422	5,183
Policy-reserve-matching bonds	2,415,504	2,564,903	149,399	5,405,462	5,594,374	188,911	6,820,691	7,471,758	651,066	55,701	61,018	5,317
Available-for-sale securities	15,635,859	15,635,859	–	14,466,921	14,466,921	–	15,585,388	15,585,388	–	127,279	127,279	–
Loans	5,198,145	5,394,125	195,979	5,136,765	5,361,249	224,484	5,052,238	5,331,508	279,269	41,259	43,540	2,280
Policy loans	317,688	317,688	–	304,630	304,630	–	289,921	289,921	–	2,367	2,367	–
Industrial and consumer loans	4,880,457	5,076,437	195,979	4,832,134	5,056,619	224,484	4,762,317	5,041,586	279,269	38,891	41,172	2,280
Allowance for possible loan losses (*1)	(7,153)	–	–	(5,735)	–	–	(3,066)	–	–	(25)	–	–
	5,190,991	5,394,125	203,133	5,131,029	5,361,249	230,220	5,049,172	5,331,508	282,335	41,234	43,540	2,305
Payables under securities borrowing transactions	946,281	946,281	–	640,951	640,951	–	220,000	220,000	–	1,796	1,796	–
Loans payable	100,000	100,000	–	100,000	100,000	–	100,000	100,000	–	816	816	–
Derivative financial instruments (*2)	(93,355)	(93,355)	–	(32,792)	(32,792)	–	(44,171)	(44,171)	–	(360)	(360)	–
Hedge accounting is not applied	2,150	2,150	–	411	411	–	(27)	(27)	–	(0)	(0)	–
Hedge accounting is applied	(95,505)	(95,505)	–	(33,203)	(33,203)	–	(44,143)	(44,143)	–	(360)	(360)	–

(*1) The amounts are general allowance for possible losses on loans and specific allowance for possible loan losses related to the loans.
(*2) The amounts of receivables and payables arising from derivative transactions are shown as net amounts.

Note:

a. Method used to determine the fair value of financial instruments

i) Assets

Cash and deposits

The Company regards book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts. Fair value of deposits deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated in the same method shown in "Securities."

Monetary claims bought

Fair value of monetary claims bought deemed as securities transactions based on "Accounting Standard for Financial Instruments" (ASBJ, issued on March 10, 2008) is calculated using the same method shown in "Securities" and the fair value of these monetary claims bought is stated at theoretical prices calculated by discounting the future cash flows to the present value or at the fair value obtained from counterparties at the balance sheet date.

Subordinated trust beneficiary rights of which future cash flows cannot be estimated are not subject to fair value disclosure and are therefore not included in the table above as of March 31, 2013, because these are regarded as extremely difficult to determine fair value. Their amount reported in the non-consolidated balance sheets was ¥24,739 million as of March 31, 2013 and none as of March 31, 2014 and 2015.

Securities

As for available-for-sale securities, domestic stocks of which market value is readily available are stated at the average of the market value during the final month of the fiscal year. Other securities are stated at market value at the balance sheet date.

Unlisted stocks and others of which market value is not readily available are not subject to fair value disclosure and are therefore not included in the table above because these are regarded as extremely difficult to determine fair value. The amounts of the unlisted stocks and others reported in the non-consolidated balance sheets as of March 31, 2013, 2014 and 2015 were as follows:

			Millions of Yen	Millions of U.S. Dollars
As of March 31	**2013**	**2014**	**2015**	**2015**
Unlisted stocks and others	¥999,905	¥976,890	¥ 977,716	$7,984
Equity securities issued by subsidiaries and affiliates	187,868	280,311	285,948	2,335

Impairment losses on the unlisted stocks and others except for equity securities issued by subsidiaries and affiliates were ¥514 million, ¥212 million and ¥254 million (U.S. $2 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

Loans

As credit exposure for policy loans without specific repayment periods is limited to the amount of the cash surrender value, the Company regards book value as fair value with the assumption that fair value approximates book value in light of factors such as projected repayment period and interest condition.

As for industrial and consumer loans, their fair value of these loans is primarily stated at theoretical prices calculated by discounting the future cash flows to the present value. The fair value of loans to bankrupt borrowers, substantially bankrupt borrowers and borrowers with high possibility of bankruptcy is stated at the amounts arrived at by deducting estimated losses from the book value before direct write-off.

ii) Liabilities

Payables under securities borrowing transactions

The Company regards book value as fair value with the assumption that fair value approximates book value due to short-term nature of these contracts.

Loans payable

The Company regards book value as fair value with the assumption that fair value approximates book value since loans are made at floating interest rates that reflect market interest rates timely, and since the Company's credit standing has not changed significantly after borrowing.

iii) Derivative financial instruments

Listed transactions

The fair value of listed transactions, such as stock index futures and bond futures, is stated at the closing or settlement prices at the balance sheet date.

OTC transactions

The fair value of Over-the-Counter (OTC) transactions, such as foreign exchange contracts, is stated at theoretical prices based on the TTM, WM Reuters rate or discount rate at the balance sheet date, or fair value obtained from counterparties at the balance sheet date.

Since OTC transactions of currency swaps contracts subject to the allocation method are treated as an integral part of the hedged foreign currency denominated loans, their fair value is included in the fair value of hedged loans in the table above.

Interest rate swap transactions

The fair value of interest rate swap transactions is stated at theoretical prices calculated by discounting the net future cash flows to the present value, or fair value obtained from counterparties at the balance sheet date.

Since interest rate swaps subject to the special hedge accounting are treated as an integral part of the hedged loan, their fair value is included in the fair value of hedged loans in the table above.

b. Securities by holding purpose

Trading securities

The unrealized valuation gains (losses) on trading securities included in profits (losses) for the fiscal year amounted to ¥74,870 million, (¥2,520 million) and ¥25,474 million (U.S. $208 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

Held-to-maturity debt securities

The amounts reported in the non-consolidated balance sheets and fair values of the held-to-maturity debt securities by security type at the end of the fiscal year, and the differences between them, were shown in the following table . No held-to-maturity debt securities were sold during the years ended March 31, 2013, 2014 and 2015, respectively.

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount												
1) National & local government bonds	¥5,077,453	¥5,571,471	¥494,017	¥4,721,186	¥5,139,800	¥418,614	¥4,206,772	¥4,776,496	¥569,723	$34,355	$39,007	$4,652
2) Corporate bonds	627,597	676,462	48,864	692,053	733,909	41,856	702,235	762,947	60,711	5,734	6,230	495
3) Other	328,749	347,608	18,859	296,098	310,043	13,945	288,025	305,450	17,425	2,352	2,494	142
Total	6,033,800	6,595,542	561,741	5,709,338	6,183,754	474,415	5,197,034	5,844,894	647,860	42,442	47,732	5,290
Securities whose fair value does not exceed the balance sheet amount												
1) National & local government bonds	3,026	3,005	(21)	3,025	2,997	(27)	–	–	–	–	–	–
2) Corporate bonds	2,001	1,988	(13)	8,200	8,196	(3)	12,952	12,836	(116)	105	104	(0)
3) Other	20,846	20,628	(217)	63,829	62,530	(1,299)	39,901	39,219	(682)	325	320	(5)
Total	25,874	25,622	(252)	75,055	73,724	(1,330)	52,854	52,055	(798)	431	425	(6)

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the “Financial Instruments and Exchange Act”.

Policy-reserve-matching bonds

The carrying amounts in the non-consolidated balance sheets of policy-reserve-matching bonds by security type were shown in the following table, along with their fair values and the differences between these amounts. Sales of policy-reserve-matching bonds were ¥37,591 million to keep target of duration matching and total gains on sales were ¥1,235 million and no loss for the year ended March 31, 2013. No policy-reserve-matching bonds were sold during the years ended March 31, 2014 and 2015.

	Millions of Yen									Millions of U.S. Dollars		
As of March 31	2013			2014			2015			2015		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Securities whose fair value exceeds the balance sheet amount												
1) National & local government bonds	¥2,404,308	¥2,552,661	¥148,353	¥5,037,684	¥5,228,611	¥190,926	¥6,809,524	¥7,459,007	¥649,482	$55,610	$60,914	$5,304
2) Corporate bonds	11,196	12,241	1,045	11,181	11,833	651	11,167	12,751	1,584	91	104	12
3) Other	–	–	–	–	–	–	–	–	–	–	–	–
Total	2,415,504	2,564,903	149,399	5,048,866	5,240,445	191,578	6,820,691	7,471,758	651,066	55,701	61,018	5,317
Securities whose fair value does not exceed the balance sheet amount												
1) National & local government bonds	–	–	–	356,596	353,929	(2,667)	–	–	–	–	–	–
2) Corporate bonds	–	–	–	–	–	–	–	–	–	–	–	–
3) Other	–	–	–	–	–	–	–	–	–	–	–	–
Total	–	–	–	356,596	353,929	(2,667)	–	–	–	–	–	–

Available-for-sale securities

Disposition of available-for-sale securities amounted to ¥2,697,553 million, ¥3,224,744 million and ¥1,462,894 million (U.S. $11,946 million) resulting in total gains on sales of ¥149,733 million, ¥220,575 million and ¥186,196 million (U.S. $1,520 million) and total losses of ¥16,204 million, ¥31,807 million and ¥365 million (U.S. $2 million) for the years ended March 31, 2013, 2014 and 2015, respectively. With regard to available-for-sale securities, acquisition costs, amortized costs, the amounts reported in the non-consolidated balance sheets and the respective differences by each type of securities were shown in the following table.

As of March 31	Millions of Yen									Millions of U.S. Dollars		
	2013			2014			2015			2015		
	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference	Acquisition or amortized costs	Balance sheet amount	Difference
Securities whose balance sheet amount exceeds the acquisition or amortized costs												
(1) Domestic stocks	¥1,453,624	¥2,617,285	¥1,163,661	¥1,470,284	¥2,953,828	¥1,483,543	¥1,568,675	¥3,993,007	¥2,424,331	$12,810	$32,609	$19,798
(2) Bonds	7,433,898	8,187,268	753,369	5,535,917	5,992,980	457,063	4,371,423	4,764,333	392,909	35,699	38,908	3,208
1) National & local government bonds	6,541,059	7,237,257	696,198	4,564,853	4,970,249	405,396	3,406,065	3,734,828	328,763	27,815	30,500	2,684
2) Corporate bonds	892,839	950,010	57,170	971,063	1,022,730	51,667	965,358	1,029,504	64,146	7,883	8,407	523
(3) Other	3,042,643	3,549,819	507,175	2,999,707	3,640,453	640,745	4,738,053	5,916,577	1,178,523	38,693	48,318	9,624
Total	11,930,167	14,354,373	2,424,206	10,005,909	12,587,262	2,581,352	10,678,152	14,673,917	3,995,764	87,204	119,835	32,631
Securities whose balance sheet amount does not exceed the acquisition or amortized costs												
(1) Domestic stocks	207,786	177,505	(30,280)	272,696	250,928	(21,768)	84,585	77,468	(7,117)	690	632	(58)
(2) Bonds	231,703	228,894	(2,809)	83,246	82,429	(817)	60,197	59,453	(743)	491	485	(6)
1) National & local government bonds	197,688	197,680	(8)	40,002	39,864	(138)	30,421	30,196	(224)	248	246	(1)
2) Corporate bonds	34,014	31,214	(2,800)	43,244	42,565	(679)	29,775	29,256	(518)	243	238	(4)
(3) Other	956,739	929,872	(26,867)	1,635,933	1,585,616	(50,317)	819,136	809,849	(9,286)	6,689	6,613	(75)
Total	1,396,229	1,336,272	(59,957)	1,991,876	1,918,973	(72,902)	963,919	946,771	(17,147)	7,871	7,731	(140)

(*) This table includes financial instruments that are deemed appropriate to be treated as securities under the "Financial Instruments and Exchange Act".

"Acquisition or amortized costs" in the table above refers to book values after deduction of impairment losses. Impairment losses on available-for-sale securities of which market value is readily available amounted to ¥27,897 million, ¥1,491 million and ¥46 million (U.S. $0 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

c. Maturity analysis of monetary claims and securities with maturities

As of March 31	Millions of Yen					
	2013					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥187,922	¥ –	¥ –	¥ –	¥ –	¥ –
Monetary claims bought	–	2,003	–	–	–	238,510
Loans*	488,548	1,010,599	907,235	643,117	690,066	1,138,555
Securities						
Held-to-maturity debt securities	387,204	906,939	203,848	328,166	548,051	3,476,736
Policy-reserve-matching bonds	–	–	–	–	109,625	2,305,879
Available-for-sale securities with maturities	249,491	373,851	678,812	1,078,355	2,128,002	8,174,760
Total	1,313,167	2,293,394	1,789,896	2,049,639	3,475,745	15,334,442

As of March 31	Millions of Yen					
	2014					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥164,008	¥ –	¥ –	¥ –	¥ –	¥ –
Monetary claims bought	–	–	–	–	–	233,622
Loans*	523,627	1,025,420	846,286	492,698	723,697	1,218,727
Securities						
Held-to-maturity debt securities	563,264	418,846	294,313	354,992	577,171	3,371,497
Policy-reserve-matching bonds	–	–	–	39,254	254,229	5,111,978
Available-for-sale securities with maturities	325,853	393,766	1,073,301	1,227,580	2,481,899	5,535,376
Total	1,576,754	1,838,033	2,213,900	2,114,526	4,036,998	15,486,412

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2015						2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Deposits	¥ 159,822	¥ –	¥ –	¥ –	¥ –	¥ –	$ 1,305	$ –	$ –	$ –	$ –	$ –
Monetary claims bought	–	–	–	–	–	229,523	–	–	–	–	–	1,874
Loans*	514,850	972,800	756,277	480,441	715,202	1,321,629	4,204	7,944	6,176	3,923	5,840	10,793
Securities	473,984	879,087	1,805,171	3,123,542	2,618,953	14,098,114	3,870	7,179	14,742	25,508	21,387	115,133
Held-to-maturity debt securities	341,727	201,812	336,574	372,785	586,022	3,210,743	2,790	1,648	2,748	3,044	4,785	26,220
Policy-reserve-matching bonds	–	–	10,397	101,336	196,296	6,512,661	–	–	84	827	1,603	53,186
Available-for-sale securities with maturities	132,256	677,274	1,458,199	2,649,420	1,836,634	4,374,710	1,080	5,531	11,908	21,636	14,999	35,726
Total	1,148,657	1,851,887	2,561,448	3,603,983	3,334,155	15,649,267	9,380	15,123	20,918	29,432	27,228	127,801

(*) Bankruptcy and reorganization claims, which are expected to be unrecoverable, are not included in this table, and they are ¥307 million, ¥285 million and ¥231 million (U.S. $1 million) as of March 31, 2013, 2014 and 2015, respectively.
(*) Policy loans are not included because they have no defined maturity dates.

d. Maturity analysis of payables under securities borrowing transactions and loans payable

As of March 31	Millions of Yen					
	2013					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥946,281	¥ –	¥ –	¥ –	¥ –	¥ –
Loans payable	–	–	–	–	100,000	–
Total	946,281	–	–	–	100,000	–

As of March 31	Millions of Yen					
	2014					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥640,951	¥ –	¥ –	¥ –	¥ –	¥ –
Loans payable	–	–	–	–	100,000	–
Total	640,951	–	–	–	100,000	–

As of March 31	Millions of Yen						Millions of U.S. Dollars					
	2015						2015					
	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years	Within 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years to 7 years	Over 7 years to 10 years	Over 10 years
Payable under securities borrowing transactions	¥220,000	¥ –	¥ –	¥ –	¥ –	¥ –	$1,796	$ –	$ –	$ –	$ –	$ –
Loans payable	–	–	–	100,000	–	–	–	–	–	816	–	–
Total	220,000	–	–	100,000	–	–	1,796	–	–	816	–	–

e. Fair values of derivative transactions

Hedge accounting not applied

i) Interest-rate related

As of March 31	Millions of Yen			
	2013			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps				
Receipts fixed, payments floating	¥49,100	¥49,100	¥2,111	¥2,111
Total				2,111

As of March 31	Millions of Yen			
	2014			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps				
Receipts fixed, payments floating	¥47,600	¥47,600	¥ 366	¥ 366
Total				366

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Interest rate swaps								
Receipts fixed, payments floating	¥1,000	¥1,000	¥10	¥10	$ 8	$ 8	$ 0	$ 0
Total				10				0

(*) Net gains (losses) represent the fair values.

ii) Currency-related

As of March 31	Millions of Yen			
	2013			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts				
Sold	¥ 5,950	¥ –	¥ 23	¥ 23
(U.S. dollar)	1,076	–	8	8
(Euro)	3,086	–	13	13
(Australian dollar)	266	–	1	1
(Canadian dollar)	1,007	–	0	0
(Others)	514	–	(0)	(0)
Bought	8,654	–	(19)	(19)
(U.S. dollar)	2,449	–	(6)	(6)
(Euro)	4,409	–	(13)	(13)
(Canadian dollar)	1,064	–	(0)	(0)
(Australian dollar)	65	–	(0)	(0)
(Others)	664	–	0	0
Total				4

As of March 31	Millions of Yen			
	2014			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts				
Sold	¥ 888	¥ –	¥ (3)	¥ (3)
(U.S. dollar)	277	–	(1)	(1)
(Euro)	242	–	(0)	(0)
(Australian dollar)	319	–	(1)	(1)
(Canadian dollar)	4	–	(0)	(0)
(Others)	44	–	(0)	(0)
Bought	1,165	–	6	6
(U.S. dollar)	643	–	3	3
(Euro)	490	–	2	2
(Canadian dollar)	–	–	–	–
(Australian dollar)	–	–	–	–
(Others)	32	–	0	0
Total				2

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Foreign currency forward contracts								
Sold	¥11,566	¥ –	¥ (46)	¥ (46)	$ 94	$ –	$ (0)	$ (0)
(U.S. dollar)	8,654	–	(53)	(53)	70	–	(0)	(0)
(Euro)	977	–	7	7	7	–	0	0
(Australian dollar)	888	–	3	3	7	–	0	0
(Canadian dollar)	672	–	(1)	(1)	5	–	(0)	(0)
(Others)	373	–	(1)	(1)	3	–	(0)	(0)
Bought	11,641	–	30	30	95	–	0	0
(U.S. dollar)	8,933	–	44	44	72	–	0	0
(Euro)	1,428	–	(13)	(13)	11	–	(0)	(0)
(Canadian dollar)	567	–	1	1	4	–	0	0
(Australian dollar)	490	–	(2)	(2)	4	–	(0)	(0)
(Others)	220	–	0	0	1	–	0	0
Total				(16)				(0)

(*) Net gains (losses) represent the fair values.

iii) Stock-related

As of March 31	Millions of Yen			
	2013			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions				
Yen Stock index futures				
Bought	¥ 733	¥ –	¥34	¥ 34
Foreign currency-denominated stock index futures				
Bought	546	–	(0)	(0)
Total				34

As of March 31	Millions of Yen			
	2014			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions				
Yen Stock index futures				
Bought	¥ 6,194	¥ –	¥ 24	¥ 24
Foreign currency-denominated stock index futures				
Bought	687	–	16	16
Total				41

As of March 31	Millions of Yen				Millions of U.S. Dollars			
	2015				2015			
	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)	Notional amount/contract value (A)	Over 1 year included in (A)	Fair value	Net gains (Losses)
Exchange-traded transactions								
Yen Stock index futures								
Bought	¥ 1,059	¥ –	¥ (25)	¥ (25)	$ 8	$ –	$ (0)	$ (0)
Foreign currency-denominated stock index futures								
Bought	1,681	–	3	3	13	–	0	0
Total				(21)				(0)

(*) Net gains (losses) represent the fair values.

iv) Bond-related

No ending balance as of March 31, 2013, 2014 and 2015.

Hedge accounting applied

i) Interest-rate related

As of March 31	Millions of Yen			
	2013			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥138,800	¥138,800	¥12,272
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	50,861	45,671	2,322
Total				14,595

As of March 31	Millions of Yen			
	2014			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Insurance liabilities	¥186,800	¥186,800	¥10,358
Special hedge accounting				
Interest rate swaps				
Receipts fixed, payments floating	Loans	47,695	45,020	1,740
Total				12,099

As of March 31	Millions of Yen				Millions of U.S. Dollars		
	2015				2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Deferred hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	Insurance liabilities	¥234,100	¥234,100	¥31,576	$1,911	$1,911	$257
Special hedge accounting							
Interest rate swaps							
Receipts fixed, payments floating	Loans	46,251	31,141	1,237	377	254	10
Total				32,813			267

ii) Currency-related

As of March 31	Millions of Yen			
	2013			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency-denominated bonds	¥ 1,651,256	¥ –	¥(107,936)
(U.S. dollar)		1,508,739	–	(101,766)
(Euro)		–	–	–
(Australian dollar)		142,516	–	(6,169)
Deferred hedge accounting				
Cross currency swaps				
Receipts floating, payments fixed (Euro)	Foreign-currency-denominated bonds	9,208	9,208	158
Total				(107,777)

As of March 31	Millions of Yen			
	2014			
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting				
Foreign currency forward contracts				
Sold	Foreign-currency-denominated bonds	¥ 2,031,158	¥ –	¥(40,632)
(U.S. dollar)		1,690,459	–	(33,578)
(Euro)		201,159	–	(1,789)
(Australian dollar)		139,540	–	(5,264)
Deferred hedge accounting				
Cross currency swaps				
Receipts floating, payments fixed (Euro)	Foreign-currency-denominated bonds	26,958	26,958	(2,929)
Total				(43,562)

As of March 31		Millions of Yen			Millions of U.S. Dollars		
		2015			2015		
	Main hedged items	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value	Notional amount/ contract value (A)	Over 1 year included in (A)	Fair value
Fair value hedge accounting							
Foreign currency forward contracts							
Sold	Foreign-currency-denominated bonds	¥ 2,354,756	¥ –	¥(70,919)	$19,230	$ –	$(579)
(U.S. dollar)		2,010,069	–	(89,973)	16,415	–	(734)
(Euro)		196,339	–	10,404	1,603	–	84
(Australian dollar)		148,347	–	8,649	1,211	–	70
Deferred hedge accounting							
Cross currency swaps							
Receipts floating, payments fixed (Euro)	Foreign-currency-denominated bonds	35,575	35,575	(4,800)	290	290	(39)
Total				(75,719)			(618)

(*) The table does not include foreign currency derivative transactions regarding assets and liabilities which are denominated in foreign currencies but have fixed settlement in yen.

iii) Stock-related

No ending balance as of March 31, 2013, 2014 and 2015.

iv) Bond-related

No ending balance as of March 31, 2013, 2014 and 2015.

4. Securities Lending

Securities loaned under security lending agreements, including securities under securities borrowing transactions, amounted to ¥1,678,741 million, ¥1,700,669 million and ¥1,623,208 million (U.S. $13,256 million) as of March 31, 2013, 2014 and 2015, respectively.

5. Pledged Assets

Assets pledged as collateral were securities in the amount of ¥4,319 million, ¥3,651 million and ¥4,586 million (U.S. $37 million) as of March 31, 2013, 2014 and 2015, respectively.

6. Equity Securities issued by Subsidiaries and Affiliates

The total amounts of equity securities issued by subsidiaries and affiliates were ¥ 191,397 million, ¥282,953 million and ¥287,687 million (U.S. $2,349 million) as of March 31, 2013, 2014 and 2015, respectively.

7. Loans

The aggregate amounts of risk-monitored loans, which comprised of (1) loans to bankrupt borrowers, (2) loans in arrears, (3) loans in arrears for three months or longer, and (4) restructured loans, were ¥21,875 million, ¥21,035 million and ¥19,713 million (U.S. $160 million) as of March 31, 2013, 2014 and 2015, respectively.

The aggregate amounts of loans to bankrupt borrowers were ¥1 million and ¥0 million as of March 31, 2013 and 2014, respectively, and none as of March 31, 2015. The aggregate amounts of loans in arrears were ¥3,043 million, ¥2,972 million and ¥2,630 million (U.S. $21 million) as of March 31, 2013, 2014 and 2015, respectively.

The amounts of loans deemed uncollectible and directly deducted from the loans in the non-consolidated balance sheets as of March 31, 2013, 2014 and 2015 were ¥123 million, ¥44 million and ¥44 million (U.S. $0 million), respectively, for loans to bankrupt borrowers, and ¥16 million, ¥14 million and ¥5 million (U.S. $0 million), respectively, for loans in arrears.

Loans to bankrupt borrowers represent the loans on which interest is not accrued due to unlikelihood of repayment of principal or interest resulting from delinquent principal or interest for a certain period or for other reasons (hereafter, “non-accrual loans”) and also meet the conditions stipulated in Article 96, Paragraph 1, Items 3 and 4 of the “Order for Enforcement of the Corporation Tax Act” (Cabinet Order No. 97 in 1965). Loans in arrears represent non-accrual loans excluding the loans to bankrupt borrowers (defined in the above) and loans of which interest payments are postponed in order to support these borrowers recovering from financial difficulties.

There were no loans in arrears for three months or longer as of March 31, 2013, 2014 and 2015.

Loans in arrears for three months or longer represent the loans on which payments of principal or interest are past due over three months from the day following the contractual due date. Loans in arrears for three months or longer do not include loans classified as loans to bankrupt borrowers or loans in arrears.

The amounts of restructured loans were ¥18,830 million, ¥18,061 million and ¥17,083 million (U.S. $139 million) as of March 31, 2013, 2014 and 2015, respectively.

Restructured loans represent the loans which have been restructured to provide relief to the borrowers by reducing or waiving interest payments, by rescheduling repayments of principal or payments of interest, or by waiving claims for borrowers in order to support their recovery from financial difficulties. Restructured loans do not include loans classified as loans in arrears for three months or longer, loans in arrears or loans to bankrupt borrowers.

8. Loan Commitments

The amounts of loan commitments outstanding were ¥28,141 million, ¥23,939 million and ¥24,386 million (U.S. $199 million) as of March 31, 2013, 2014 and 2015, respectively.

9. Fair Values of Investment and Rental Property

The carrying amounts of investment and rental properties were ¥597,854 million, ¥583,174 million and ¥582,459 million (U.S. $4,756 million), and their fair values were ¥613,700 million, ¥612,741 million and ¥626,982 million (U.S. $5,120 million) as of March 31, 2013, 2014 and 2015, respectively. The Company owns office buildings and land in Tokyo and other areas, the fair value of which is mainly based on appraisals by qualified external appraisers.

10. Accumulated Depreciation

Accumulated depreciation of tangible fixed assets amounted to ¥399,988 million, ¥399,265 million and ¥400,346 million (U.S. $3,269 million) as of March 31, 2013, 2014 and 2015, respectively.

11. Leased Assets

The Company holds some leased assets, such as computers and other equipment, in addition to the tangible and intangible fixed assets in the non-consolidated balance sheets.

12. Impairment of Fixed Assets

The details of the impairment losses on fixed assets of the Company are as follows:

(1) Method for grouping the assets
The Company groups all the fixed assets held and utilized for the Company's insurance business as one asset group for the impairment test.

For real estate for non-insurance business and idle assets, each asset is treated as an independent unit for the impairment test.

(2) Description of impairment losses recognized
For the years ended March 31, 2013, 2014 and 2015, the Company recognized impairment losses on real estate for non-insurance business that experienced a significant deterioration of profitability and on the idle assets that experienced a significant decline in fair value due to downturn of the real estate market. For these assets, the Company reduced the carrying amount to a recoverable amount which is either fair value less costs to dispose or value-in-use, and recognized impairment losses as extraordinary losses in the non-consolidated statements of income.

(3) Details of fixed assets resulting in impairment losses
For the year ended March 31, 2013

Asset group	Number of properties impaired	Millions of Yen Land	Buildings	Total
Real estate for non-insurance business	5	¥ 592	¥ 551	¥ 1,144
Idle assets	30	1,012	1,283	2,295
Total	35	¥ 1,605	¥ 1,835	¥ 3,440

For the year ended March 31, 2014

Asset group	Number of properties impaired	Millions of Yen Land	Buildings	Total
Real estate for non-insurance business	2	¥ 432	¥ 2,057	¥ 2,489
Idle assets	32	1,192	1,616	2,809
Total	34	¥ 1,624	¥ 3,674	¥ 5,299

For the year ended March 31, 2015

Asset group	Number of properties impaired	Millions of Yen Land	Buildings	Total
Real estate for non-insurance business	2	¥ 206	¥ 3	¥ 210
Idle assets	62	2,531	3,554	6,085
Total	64	¥ 2,737	¥ 3,558	¥ 6,296

For the year ended March 31, 2015

	Millions of U.S. Dollars		
Asset group	Land	Buildings	Total
Real estate for non-insurance business	$ 1	$ 0	$ 1
Idle assets	20	29	49
Total	$ 22	$ 29	$ 51

(4) Calculation method of recoverable amounts
The recoverable amounts of real estate for non-insurance business are determined at net realizable value or value in use. The recoverable amounts for idle assets are net realizable value. Value in use is determined as the estimated net future cash flows, reflecting the volatility risk, discounted at 2.25%, 2.16% and 2.09% for the years ended March 31, 2013, 2014 and 2015, respectively. Net realizable value is calculated based on the appraisal value with reference to “Real Estate Appraisal Standards” or the publicly announced appraisal value.

13. Retirement Benefit Plans

The following items provide detailed information for the retirement benefit plans.

(1) Summary of the retirement benefit plans
The Company has defined benefit corporate pension plans and retirement allowance plans, which distribute a lump sum payment on retirement, as defined benefit plans. The Company also has defined contribution pension plans as defined contribution plans.

(2) Transfer to defined contribution plans
The Company transferred a certain portion of defined benefit corporate pension plans to defined contribution pension plans on July 1, 2014. As a result, other extraordinary losses of ¥1,669 million (U.S. $13 million) were recognized for the year ended March 31, 2015.

(3) Defined benefit plans
a. Assumptions of the Company used in accounting for the defined benefit plans for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	2014	2015
Method of attributing benefit to period of service	Straight-line basis	Benefit formula basis
Amortization period for actuarial differences	10 years	10 years
Amortization period for past service cost	10 years	10 years

b. Changes in the retirement benefit obligations for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2014	2015	2015
Balance at the beginning of the fiscal year	¥368,317	¥ 352,881	$2,881
Service costs	12,005	11,299	92
Interest cost on retirement benefit obligations	3,314	2,948	24
Actuarial losses (gains) recognized	4,450	3,562	29
Benefits paid	(31,232)	(27,365)	(223)
Past service costs incurred	–	(4,139)	(33)
Others	–	(27,380)	(223)
Balance at the end of the fiscal year	¥356,855	¥ 311,806	$2,546

c. Changes in the plan assets for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2014	2015	2015
Balance at the beginning of the fiscal year	¥344,193	¥358,647	$2,928
Expected return on plan assets	3,392	3,215	26
Actuarial gains (losses) recognized	9,376	49,161	401
Contributions by employer	13,288	10,083	82
Benefits paid	(11,603)	(10,598)	(86)
Others	–	(24,651)	(201)
Balance at the end of the fiscal year	¥358,647	¥385,856	$ 3,151

d. The amount of the retirement benefit obligations and the plan assets, and the amount of the accrued retirement benefits and the prepaid pension cost recognized in the non-consolidated balance sheets as of March 31, 2014 and 2015 were determined as follows:

	Millions of Yen		Millions of U.S. Dollars
As of March 31	2014	2015	2015
Present value of funded retirement benefit obligations	¥ 355,508	¥ 310,551	$2,536
Plan assets at fair value	(358,647)	(385,856)	(3,151)
Net present value of funded retirement benefit obligations	(3,138)	(75,305)	(614)
Present value of non-funded retirement benefit obligations	1,346	1,254	10
Unrecognized actuarial losses (gains)	(97,839)	(36,540)	(298)
Unrecognized past service costs	3,135	6,056	49
Accrued retirement benefits (Prepaid pension cost)	¥(96,495)	¥(104,534)	$(853)

e. The amounts recognized in retirement benefit expenses in the non-consolidated statements of income for the years ended March 31, 2014 and 2015 were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	**2014**	**2015**	**2015**
Service costs	¥12,005	¥ 11,299	$ 92
Interest cost on retirement benefit obligations	3,314	2,948	24
Expected return on plan assets	(3,392)	(3,215)	(26)
Amortization of net actuarial losses (gains)	12,725	10,866	88
Amortization of net past service costs	(1,298)	(782)	(6)
Others	–	1,669	13
Retirement benefit expenses	¥ 23,353	¥22,785	$186

f. Plan assets
Plan assets as of March 31, 2014 and 2015 were comprised as follows:

	% of total fair value of plan assets	
As of March 31	**2014**	**2015**
Debt securities	6.9%	8.2%
Stocks	40.7%	47.9%
General account of life insurance companies	30.4%	25.1%
Jointly invested assets	19.6%	17.1%
Cash and deposits	1.9%	1.1%
Others	0.5%	0.6%
Total	100.0%	100.0%

Plan assets include the retirement benefit trusts. The amounts of the retirement benefit trusts were 50.0% and 57.7% of total plan assets as of March 31, 2014 and 2015, respectively.

g. The expected long-term rate of return on plan assets
The expected long-term rate of return on plan assets is calculated by aggregating the weighted rate of return derived from each asset category. The expected long-term rate of return for each asset category is based primarily on various aspects of long-term prospects for the economy that include historical performance and the market environment.

h. Assumptions used in calculation
Assumptions used in accounting for the defined benefit plans for the years ended March 31, 2014 and 2015 were as follows:

Years ended March 31	**2014**	**2015**
Discount rate	0.9%	0.9%
Expected long-term rate of return on plan assets		
Defined benefit corporate pension plans	2.0%	2.0%
Retirement benefit trusts	0.0%	0.0%

(4) Defined contribution plans
The amount recognized as expenses for the defined contribution pension plans was ¥828 million (U.S. $6 million) for the year ended March 31, 2015.

Accrued retirement benefits

The following tables set forth the status of accrued retirement benefits for the defined benefit plans as of March 31, 2013:

(1) Retirement benefit obligations

		Millions of Yen
As of March 31		**2013**
a.	Retirement benefit obligations	¥(368,317)
b.	Plan assets at fair value	344,193
	[including retirement benefit trusts]	[174,559]
c.	Net retirement benefit obligations (a+b)	(24,123)
d.	Unrecognized actuarial losses	115,490
e.	Unrecognized past service costs	(4,434)
f.	Net value in the non-consolidated balance sheet (c+d+e)	86,932
g.	Prepaid pension cost	86,932
h.	Accrued retirement benefits (f-g)	¥ –

(2) Assumptions used in calculation
Assumptions used in accounting for the defined benefit plans for the year ended March 31, 2013 were as follows:

Year ended March 31	2013
Method of attributing benefit to period of service	Straight-line basis
Discount rate	0.9%
Expected long-term rate of return on plan assets:	
Defined benefit corporate pension plans	
From 4/1/2012 to 6/30/2012	3.0%
From 7/1/2012 to 3/31/2013	2.0%
Retirement benefit trusts	0.0%
Amortization period for actuarial differences	
(Commencing in the following fiscal year after they are incurred)	10 years
Amortization period for past service cost	10 years

(3) Retirement benefit expenses
Retirement benefit expenses of the Company for the year ended March 31, 2013 were comprised of the following:

	Millions of Yen
Year ended March 31	2013
a. Service costs	¥ 10,810
b. Interest cost on retirement benefit obligations	6,877
c. Expected return on plan assets	(3,691)
d. Amortization of actuarial losses	5,248
e. Amortization of past service costs	(2,868)
f. Others	3
g. Retirement benefit expenses (a+b+c+d+e+f)	¥ 16,378

14. Reinsurance

As of March 31, 2013, 2014 and 2015, the amounts of reinsurance recoverable on reserve for outstanding claims, which is applied mutatis mutandis to Article 71, Paragraph 1 of the "Ordinance for Enforcement of the Insurance Business Act" pursuant to Article 73, Paragraph 3 of the ordinance (hereafter, "reinsurance recoverable on reserve for outstanding claims"), were ¥22 million, ¥36 million and ¥163 million (U.S. $1 million), respectively.

As of March 31, 2013, 2014 and 2015, the amounts of reinsurance recoverable on policy reserves pursuant to Article 71, Paragraph 1 of the "Ordinance for Enforcement of the Insurance Business Act" (hereafter, "reinsurance recoverable on policy reserves") were ¥1,087 million, ¥4,452 million and ¥5,727 million (U.S. $46 million), respectively.

15. Policyholders' Dividend Reserves

Changes in policyholders' dividend reserves for the years ended March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
Balance at the beginning of the fiscal year	¥ 296,253	¥ 280,524	¥ 270,023	$2,205
Transfer from surplus in the previous fiscal year	133,466	152,835	158,094	1,291
Dividend payments to policyholders during the fiscal year	(149,773)	(163,872)	(175,209)	(1,430)
Interest accrued during the fiscal year	578	535	506	4
Balance at the end of the fiscal year	¥ 280,524	¥ 270,023	¥ 253,414	$2,069

16. Subordinated Debt

As of March 31, 2013, 2014 and 2015, loans payable are subordinated debts, the repayments of which are subordinated to other obligations.

17. Accrued Retirement Benefits for Directors and Executive Officers

Accrued retirement benefits for directors and executive officers of the Company are provided based on a portion accrued for the period of the estimated payable amount.

In 2008, the Compensation Committee decided to terminate the retirement allowance scheme for directors and executive officers of the Company effective June 30, 2008. No provisions have been made for incumbent directors and executive officers since that date.

18. Reserve for Contingent Liabilities

Reserve for contingent liabilities of the Company is provided for the amount of estimated possible losses in the future with respect to the securitizations of loans and loan commitments outstanding pursuant to Article 24-4 of the "Ordinance for Enforcement of the Insurance Business Act."

19. Deferred Taxes

(1) Deferred tax assets/liabilities were recognized as follows:

	Millions of Yen			Millions of U.S. Dollars
As of March 31	**2013**	**2014**	**2015**	**2015**
Deferred tax assets	¥555,331	¥621,079	¥634,664	$5,183
Valuation allowance for deferred tax assets	(2,959)	(3,032)	(3,753)	(30)
Subtotal	552,372	618,047	630,911	5,152
Deferred tax liabilities	(728,891)	(769,381)	(1,144,028)	(9,342)
Net deferred tax assets (liabilities)	(176,518)	(151,334)	(513,117)	(4,190)

Major components of deferred tax assets/liabilities were as follows:

	Millions of Yen			Millions of U.S. Dollars
As of March 31	**2013**	**2014**	**2015**	**2015**
Deferred tax assets				
Policy reserves and other reserves	¥352,718	¥390,539	¥ 420,613	$3,434
Reserve for price fluctuation	111,717	147,762	141,835	1,158
Deferred tax liabilities				
Net unrealized gains on available-for-sale securities	693,253	735,419	1,104,981	9,023

(2) The statutory tax rates were 33.28%, 33.28% and 30.73% for the years ended March 31, 2013, 2014 and 2015, respectively. Main factors in the differences between the statutory tax rates and the actual effective tax rates after considering deferred taxes were as follows:

Years ended March 31	2013	2014	2015
Policyholders' dividend reserves	(17.61)%	(17.99)%	(15.30)%
Effects of changes in the income tax rate	–	–	11.90%

(3) From the end of the year ended March 31, 2014, the statutory tax rates which are used to measure deferred tax assets and liabilities recoverable during the period within one year were changed from 33.28% to 30.73% due to the termination of the special reconstruction corporate tax in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 10 in 2014).

Due to this change, as of March 31, 2014, both deferred tax liabilities in the non-consolidated balance sheet and deferred portion of income taxes in the non-consolidated statement of income increased by ¥1,983 million.

(4) From the end of the year ended March 31, 2015, the statutory tax rates which are used to measure deferred tax assets and liabilities were changed from 30.73% to 28.80% in accordance with the "Act for Partial Revision of the Income Tax Act" (Act No. 9 in 2015).

Due to this change, as of March 31, 2015, deferred tax liabilities in the non-consolidated balance sheet decreased by ¥34,385 million (U.S. $280 million), deferred tax liabilities for land revaluation in the non-consolidated balance sheet decreased by ¥5,754 million (U.S. $46 million), and deferred portion of income taxes in the non-consolidated statement of income increased by ¥43,023 million (U.S. $351 million).

20. Foundation Funds

Foundation funds serve as the primary source of capital for Japanese mutual life insurance companies. These funds are similar to loans, as interest payments, maturity dates and other items must be established at the time of the offering. In the event of a bankruptcy or similar development, repayment of the principal and interest of foundation funds is subordinated to the repayment of amounts owed to ordinary creditors and insurance claims and benefit payments owed to policyholders. Upon redemption of foundation funds, mutual companies are required to make an addition to the reserve for redemption of foundation funds, which serves as retained earnings, equal to the amount redeemed. As a result, the full amount of foundation funds remains in net assets even after redemption.

The Company redeemed foundation funds and also established for reserve for redemption of foundation funds pursuant to Article 56 of the "Insurance Business Act" in the amount of ¥60,000 million (U.S. $489 million) as of March 31, 2015.

The Company offered foundation funds in the amount of ¥100,000 million, ¥50,000 million and ¥60,000 million (U.S. $489 million) pursuant to Article 60 of the "Insurance Business Act" in the years ended March 31, 2013, 2014 and 2015, respectively.

21. Net Assets stipulated by the "Ordinance for Enforcement of the Insurance Business Act"

The amounts of net assets pursuant to Article 30, Paragraph 2 of the "Ordinance for Enforcement of the Insurance Business Act" were ¥1,749,104 million, ¥1,845,453 million and ¥2,968,725 million (U.S. $24,244 million) as of March 31, 2013, 2014 and 2015, respectively.

22. Separate Accounts

The total amounts of assets held in separate accounts defined in Article 118, Paragraph 1 of the "Insurance Business Act" were ¥771,030 million, ¥822,310 million and ¥864,990 million (U.S. $7,064 million) as of March 31, 2013, 2014 and 2015, respectively. The amounts of separate account liabilities were the same as these figures.

23. Monetary Receivable from and Payable to Subsidiaries and Affiliates

The total amounts of monetary receivable from and payable to subsidiaries and affiliates as of March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
As of March 31	**2013**	**2014**	**2015**	**2015**
Monetary receivable	¥ 2,660	¥ 3,115	¥ 2,902	$ 23
Monetary payable	4,261	3,471	4,017	32

24. Investment Income and Expenses

Major components of gains on sales of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Domestic bonds including national government bonds	¥ 114,182	¥ 205,826	¥ 159,673	$ 1,303
Domestic stocks	7,975	14,128	15,052	122
Foreign securities	28,809	620	11,470	93

Major components of losses on sales of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Domestic bonds including national government bonds	¥ 14	¥ 1,264	¥ 1	$ 0
Domestic stocks	8,695	3,186	353	2
Foreign securities	7,494	23,533	10	0

Major components of losses on valuation of securities were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	**2013**	**2014**	**2015**	**2015**
Domestic bonds including national government bonds	¥ 315	¥ –	¥ –	$ –
Domestic stocks	27,645	52	58	0
Foreign securities	–	1,447	–	–

Loss on derivative financial instruments included net valuation gains of ¥145,945 million, ¥186,069 million and ¥184,613 million (U.S. $1,507 million) for the years ended March 31, 2013, 2014 and 2015, respectively.

25. Policy Reserves for Ceded Reinsurance

The amounts of provision for (reversal of) reinsurance recoverable on reserve for outstanding claims and reinsurance recoverable on policy reserves, which are deducted in calculating reversal of (provision for) reserve for outstanding claims and policy reserves, for the years ended March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
Provision for (reversal of) reinsurance recoverable on outstanding claims	¥ (10)	¥ 14	¥ 126	$ 1
Provision for (reversal of) reinsurance recoverable on policy reserves	(879)	3,364	1,275	10

26. Contributions to the Life Insurance Policyholders Protection Corporation

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥51,417 million, ¥51,981 million and ¥52,814 million (U.S. $431 million) as of March 31, 2013, 2014 and 2015, respectively, pursuant to Article 259 of the "Insurance Business Act".

These contributions are recognized as operating expenses when contributed.

27. Transactions with Subsidiaries and Affiliates

The total amounts of income and expenses resulting from transactions with subsidiaries and affiliates for the years ended March 31, 2013, 2014 and 2015 were as follows:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2013	2014	2015	2015
Total income	¥ 5,597	¥ 7,852	¥ 11,623	$ 94
Total expenses	29,189	27,455	31,217	254

28. Income Taxes

The provision for income taxes is calculated based on the pretax surplus included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying the effective income tax rates that are based on the enacted statutory rates to the temporary differences.

29. Subsequent Events

Appropriation of surplus

The proposed appropriation of surplus of the Company for the year ended March 31, 2015 were approved as planned at the annual meeting of the representatives of policyholders held on July 2, 2015.

Share acquisition

The Company entered into a definitive agreement to acquire 100% of the outstanding shares of StanCorp Financial Group, Inc. (“StanCorp”) on July 23 (July 24, Japan local time), 2015.

(1) Purpose of share acquisition
The Company aims to further improve value for policyholders by enhancing profits and diversifying the business portfolio (dispersing business risk) of the entire group through expanding the scale and increasing the level of profits of overseas insurance business.

(2) Overview of the acquired company
a. Company name
StanCorp Financial Group, Inc.

b. Location
Portland, Oregon, USA

c. Business
Insurance and insurance related business (*1)
(*1) StanCorp is a holding company and its subsidiaries operate insurance business, etc.

d. Premiums (consolidated basis, for the fiscal year ended December 2014)
U.S. $2,052 million

e. Total assets (consolidated basis, as of the end of December 2014)
U.S. $22,711 million

(3) Overview of the acquisition
The Company intends to acquire the shares by January to March 2016. The acquiring price is expected to be approximately U.S. $4,997 million (approximately ¥624.6 billion) (*2) and it will be funded through cash and cash equivalents in hand. Under and in accordance with applicable laws and regulations in the U.S., the acquisition will be implemented by first establishing a special purpose company of the Company in Delaware, and then merging it with and into StanCorp. The acquisition is subject to approval of StanCorp’s shareholders and approval of relevant regulatory authorities, as well as other customary closing conditions.
(*2) The exchange rate used to calculate the yen-dominated amount is U.S. $1 to ¥125.00.

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Glossary of Certain Terms

Administrative expense margin . . . . Administrative expense margin is the difference between the administrative expenses related to the relevant policy assumed by the insurer with respect to a given year in calculating premiums and the actual administrative expenses for that year.

Annuity . . . . A product that provides periodic, typically annual, benefits from a designated time in the future until the death of the insured or for a specific period. A single premium benefit payment is made upon the death of the insured prior to commencement of annuity payments. If the death of the insured occurs after annuity payments have commenced and prior to the end of the fixed annuity payment term, the remainder of the annuity payments may either be accelerated or may continue to be paid in accordance with the schedule outlined in the policy. Annuity products include both fixed return products and variable return products for which the return reflects the results of investment made in separate accounts.

Assumed yield . . . . The rate of assumed investment yield, with respect to a given policy, used in pricing premiums of products and in calculation of policy reserves.

Cash value . . . . The amount of cash available to a policyholder on the surrender or lapse of a life insurance policy or annuity contract.

Ceding reinsurance commissions . . . . A fee paid to the primary insurer by the reinsurer for underwriting expenses such as marketing, administration, premium tax, etc.

Contingency reserve . . . . . A reserve included as part of the policy reserves to account for (1) the risk of insurance payment events occurring at a higher than expected rate due to higher than expected mortality and morbidity rates and (2) the risk of actual yield on investments being lower than the assumed yields related to outstanding policies, etc.

Distributable interest surplus . . . . The amount of surplus a Japanese mutual life insurance company is permitted to distribute with respect to interest payments on foundation funds in any given fiscal year as provided for in Article 55, paragraph 1 of the Insurance Business Act, which amount is therein described as net assets reflected in the balance sheet, less

- foundation funds;
- legal reserve for deficiency (*sonshitsu-tenpo-junbi-kin*) and reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) (including any amount from the reserve for redemption of foundation funds used to cover losses in excess of the reserve for losses pursuant to Article 59, paragraph 2 of the Insurance Business Act); and
- certain amounts including increased amount of capital pursuant to a market price evaluation, etc.

Distributable principal surplus . . . . The amount of surplus a Japanese mutual life insurance company is permitted to distribute with respect to principal payments on foundation funds in any given fiscal year as provided for in Article 55, paragraph 2 of the Insurance Business Act, which amount is therein described as net assets reflected in the balance sheet, less

- foundation funds;

- legal reserve for deficiency (*sonshitsu-tenpo-junbi-kin*) and reserve for redemption of foundation funds (*kikin-shokyaku-tsumitate-kin*) (including any amount from the reserve for redemption of foundation funds used to cover losses in excess of the reserve for losses pursuant to Article 59, paragraph 2 of the Insurance Business Act);
- interest payment on foundation funds;
- legal reserve for deficiency (*sonshitsu-tenpo-junbi-kin*) required to be provided in the year;
- deferred expenses for research and development booked as assets on the balance sheet; and
- certain amounts including increased amount of capital pursuant to a market price evaluation, etc.

Endowment . . . . Life insurance payable to the policyholder, if living, on the maturity date stated in the policy, or to a beneficiary if the insured dies before that date.

General account . . . . The aggregate of a life insurer's assets, other than those allocated to separate accounts. General account assets are invested by the insurer to meet fixed assumed yield for policyholders, and the insurer bears the investment risk on such assets.

In force . . . . A policy that is shown on records to be in force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated. "In force" refers to the period of coverage, *i.e.*, the period during which the occurrence of insured events can result in liabilities.

Investment yield margin . . Investment yield margin is the difference, with respect to a given year, between the actual yield for that year and the assumed yield used in calculating premiums.

Lapse . . . . The termination or temporary discontinuance of an insurance policy due to non-payment of premiums within a specified time period.

Morbidity . . . . The relative incidence of disability due to disease or physical impairment.

Mortality rate . . . . Rates of death, varying by such parameters as age, gender and health, used in pricing premiums of products and in calculation of policy reserves.

Mortality rate margin . . . . Mortality rate margin is the difference between the mortality and morbidity rate assumed by the insurer, with respect to a given year, in calculating premiums and the actual mortality rate and morbidity for that year.

Negative spread . . . . Negative spread = Investment income included in base profit - (assumed yield amount + provision for accumulated interest on policyholder dividends)

Net level premium method . . . . Under the net level premium method, insurers must set aside policy reserves assuming that the ratio of net premium to total assumed yield premium paid remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the premium received in such early years covering administrative expenses. Under an alternate method of calculating policy reserves, known as Zillmer's method, the net premium portion is reduced in the first year of the policy, allowing, in effect, policy acquisition costs to be deferred.

Net premium . . . . The portion of the premium covering insurance underwriting risk, based on factors such as mortality rates, assumed yield and policy surrender and lapse ratio, excluding the portion covering administrative expenses.

Non-participating policy . . Policies under which the policyholder receives no policyholder dividends. Non-participating policies generally feature lower premiums than participating policies and semi-participating policies.

Participating policy . . . . . . Policies under which the policyholder is eligible to share in the divisible surplus of the insurer—calculated based on mortality rate margin, investment yield margin and administrative expense margin—through the receipt of annual policyholder dividends.

Policy reserves . . . . Reserves established for the fulfillment of benefits and other payments related to the insurer's outstanding policies that are expected to be paid in the future. The policy reserves consist of a premium reserve, an unearned premium reserve, a reserve for refund and a contingency reserve. The insurer uses the net level premium method to calculate the amount it sets aside each year as policy reserves. The policy reserve is one of the three reserves composing the policy reserves and other reserves.

Policyholders' dividend reserves . . . . A reserve used to fund the payment of policyholder dividends. The policyholders' dividend reserves is one of the three reserves composing the policy reserves and other reserves. For a mutual life insurance company, transfer to policyholders' dividend reserves is treated as dispositions of net surplus.

Premium reserve . . . . A reserve included in the policy reserves to account for the payment of future payment obligations, other than with respect to unearned premiums.

Premiums . . . . Payments and considerations received with respect to insurance policies issued or reinsured by an insurer.

Real net assets . . . . Real net assets are calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets are equal to an amount calculated based on assets reflected in the balance sheet (including, but not limited to, assets such as marketable securities and real estate with readily obtainable fair value) in accordance with the method promulgated by the Ordinance of the Cabinet Office and the Ministry of Finance, while non-capital real liabilities are equal to an amount calculated based on liabilities reflected in the balance sheet (excluding certain amounts such as the reserve for price fluctuation and contingency reserve) in accordance with the method promulgated by the FSA and the Ministry of Finance.

Reinsurance . . . . The acceptance by one or more insurers of a portion of risk underwritten by another insurer (ceding insurer) that has directly written the coverage of a policy in return for a portion of the premium related thereto. The legal rights of the policyholder generally are not affected by the reinsurance transaction, and the insurer issuing the insurance contract remains liable to the policyholder for payment of policy benefits.

Reserve for outstanding claims . . . . A reserve used to fund payments that are due, but have not yet been paid, on outstanding claims existing as of the end of the year and expected to be paid in the following fiscal year. The reserve for outstanding claims is one of the three reserves composing the policy reserves and other reserves.

Reserve for price fluctuation . . . . Pursuant to provisions of the Insurance Business Act, Japanese insurers are required to maintain a reserve to cover losses due to price fluctuations in assets subject to market price volatility, particularly investments in stock, bonds and foreign currency-denominated investments. This reserve may be used only to reduce deficits arising from price fluctuations of those assets unless otherwise approved by the Commissioner of the FSA.

Retention rate . . . . A rate calculated by dividing the number of employees remaining with a company at the end of a certain period of time following their initial employment.

Semi-participating policy . . . . Policies under which the insurer does not distribute yearly policyholder dividends to its policyholders, but instead distributes a portion of the net positive return on investments in excess of the assumed yield as calculated at the end of every five-year period. Semi-participating policies generally feature lower premiums than participating policies and generally distribute smaller distributions relative to participating policies.

Separate account . . . . Assets related to the insurer's individual variable insurance and group variable annuity products, including group employee pension fund insurance and national pension fund insurance, are allocated to the insurer's separate account. Separate account assets and liabilities represent funds that are administered and invested by the insurer to meet specific investment objectives of policyholders. The investments in each separate account are maintained separately from those in other separate accounts and an insurer's general account and are generally not subject to the general liabilities of the insurer.

The investment results of the separate account assets generally pass through to the separate account policyholders, less management fees, so that an insurer bears limited or no investment risk on such assets.

Surrender . . . . The surrender of a policy by a policyholder. The policyholder generally receives the "cash value" of the policy, an amount available in cash upon surrender of a policy before it becomes payable upon death or maturity, minus a surrender fee reflecting expenses incurred by the insurer in placing the policy on its books. After a "surrender period" (usually several years) has elapsed, there is generally no charge for ending the contract.

Surrender and lapse ratio . . . . Surrender and lapse ratio = surrender and lapse amount ÷ policy amount at the beginning of the relevant fiscal year.

Third-sector insurance (also known as supplemental insurance) . . . . In the Japanese insurance industry, life insurance products and non-life insurance products are called "first-sector" and "second-sector" insurance products, respectively, and insurance products which have intermediate characteristics of both products are called "third-sector" insurance products or "third-sector" products. Third-sector insurance products consist of "third-sector life insurance products," which are similar in nature to first-sector insurance products and include medical, cancer and nursing-care insurance products, and "third-sector non-life insurance products," which are similar in nature to second-sector insurance products and include personal accident insurance and insurance for medical expenses.

Underwriting . . . . The process of examining, accepting and rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each accepted risk.

Unearned premium reserve . . . . A reserve included in the policy reserves to account for the payment of future obligations based on the portion of premiums received by the insurer for which protection has not yet been provided.

Variable annuity . . . . Annuities in which the return to holders is variable, rather than fixed, and reflects the results of investments made in the insurer's separate accounts.

Yield on investments . . . . . Investment return earned by the insurer on its invested assets.

Zillmer's method . . . . A method by which insurers may calculate policy reserves, which, in effect, allows policy acquisition costs to be deferred. Under this method, the net premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in policy reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and Zillmer's method over a predetermined term of, for example, five or ten years.

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